The NATIONAL UNDERWRITER

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February 13, 1959 63rd Year, No. 7

Explore Problems, Causes Of Rising Tide Of Medical Malpractice Claims

NEW YORK—The increasing difficulties faced by doctors and their insurers as a result of the rising tide of malpractice claims and suits were explored by doctors, lawyers, and insurance executives at a discussion during the annual meeting here of the insurance section of New York State Bar Assn.

Donovan Moderates Panel

James B. Donovan of Watters & Donovan, New York, moderated the panel. Panelists were Dr. Norton S. Brown, president of New York County Medical Society; Dr. Mendel Jacobi of New York, Dale Snure, resident vice-president at New York of Employers Mutuals of Wausau; William M. McAuliffe Jr. of American Medical Assn.'s legal department; Salvador J. Capecelatro, Utica attorney; John J. Tullman, New York attorney, and William F. Martin, counsel of New York State Medical Society.

If the problem posed by his exposure to claims for malpractice presents a present or future threat to the ability of the doctor to do his best work for the public, in medical research and the application of its results, every member of the public has a stake in getting the problem solved, Mr. Snure said. His company for many years has been one of the largest writers of workmen's compensation, nationally and in New York. Every WC case brings it into contact with at least one, and sometimes many, doctors. This gave the company a very broad acquaintance with the medical profession and a knowledge and understanding of the doctor's problem.

Writes N. Y. Doctors

It was this relationship and the value which the company attaches to it that impelled it to assume the group malpractice insurance plan for New York State Medical Society when invited to do so 10 years ago—in spite of the fact that two other insurers previously had underwritten the plan, and then retired because of unfavorable loss experience. Rate adjustments based on loss experience were to be made annually by Employers Mutuals so that it could look forward at least to breaking even. Each year the society's own actuary carefully reviews all records, comprising the experience of thousands of doctors covered by the plan, and in consultation with the insurer's actuaries, rates based upon this experience are agreed upon for the following year.

However, he said, the company has had some difficult problems. The volume of malpractice claims has increased by leaps and bounds. During 1949, first full year of coverage, Employers Mutuals recorded one malpractice claim for every 60 doctors insured. This frequency increased year by year until by 1956 it was running one claim for every 37 doctors insured—almost double in eight years. Moreover, the trend has been constantly toward larger and larger demands, settlements, and verdicts. Part of this trend is undoubtedly due to inflation and the reduced purchasing power of the dollar—but not all of it, because the company's claims-indexing records indicate that the growth in both frequency and severity of the malpractice claim has more than kept pace with that of claims in other fields of personal liability.

For many patients are more inclined to make malpractice claims against their doctors than ever before, he observed. The doctor-patient relationship is less personal than it used to be. In this age of specialists, and of antibiotics and other modern therapies, many patients are apt to see each of several specialists only once or twice, rather than getting the whole attention of one doctor. Instead of being grateful for being cured, the patient expects to be cured, and resents any delay or deviation on the road to recovery.

Claims are easily stimulated these days. Persons in every level of the economy have relatives or friends who are lawyers or doctors, and injuries come to the attention of suit-wise people. So, frequently, somebody whispers in the patient's ear that he can make

(CONTINUED ON PAGE 32)

Wis. Conditionally Approves Fire Rates After 3½ Years

By JOHN BURRIDGE

The Wisconsin department, after 3½ years of in-fighting with the rating bureau, has conditionally approved a set of fire rates. Commissioner Rogan's unusual notice of approval, however, contains seven exceptions to the filing which the bureau has to swallow if it wants the matter laid to rest.

If the bureau finds it is unable to agree to the department's exceptions, it may be necessary to ask for a hearing. Otherwise, on March 1 new rates go into effect.

Actually, the new rates will be quite substantially the rates which have been in effect since August of 1956. They represent an 11% reduction overall in fire from the rate level of 1955, and there is a small increase for EC.

Issue Fomented By One Man

The complications in the Wisconsin fire rate situation have grown out of the apparent determination of an individual, a department deputy, to impose his theories on the business. The problem has been to the state supreme court, where the rating bureau was upheld on the issue of its authority to make rates and to allow the insurers to provide for a profit; or, more nearly as the court put it, the department was plainly told it did not have the authority to make rates nor to dictate a profit factor.

In 1955, Fire Insurance Rating Bureau (of Wisconsin) filed new rates with then Commissioner VandeZande, producing approximately a 7% over-all fire reduction and an increase in EC. The fire rate decrease followed reductions in 1950, 1953 and 1954. Mr. VandeZande resigned in the fall of 1955 for health reasons, and Charles Timbers, a deputy, who had been instructed by Mr. VandeZande to stay

(CONTINUED ON PAGE 25)

Butler To Head GAB As Bachman Retires

NEW YORK—At a special meeting of General Adjustment Bureau directors, Ben M. Butler, vice-president of Western Adjustment, was named to succeed R. G. Bachman as president of GAB. The change is to become effective

R. G. Bachman

Ben M. Butler

(CONTINUED ON PAGE 38)

The advertising and selling committee of National Assn. of Mutual Insurance Agents and other association officials at a meeting in Washington. Left to right, standing, are Edward Warfield, Harrisburg; Earl A. Lamb, New York; C. Bradley Spencer, Portsmouth, Va.; Paul A. Garrick, Medina, N. Y.; O. C. Lee, Harleysville, Pa.; Lynn Trankel, Indianapolis, and Richard R. Juby, executive secretary of Carolinas' association. Left to right seated are Henry D. Bean, Haddonfield, N. J., NAMIA president; D. W. Evans, Mansfield, O., vice-chairman of the committee, who presided; E. Stony Steinbach, Mayville, Wis., and John Keyser, Kalamazoo, NAMIA 1st vice-president.

Auto Increase Is Turned Down Again By N. Y. Department

Thacher Says Rates Asked Are Excessive; No Bureau Rise In Last 2½ Years

NEW YORK—Thomas Thacher, the new superintendent, has disapproved liability rate increases of 40% on private passenger cars and 17% on commercial cars and division 1 garages. The increases had been asked by National Bureau of Casualty Underwriters and Mutual Insurance Rating Bureau in a filing made early in December.

Mr. Thacher stated that the filing does not meet the requirements of the law because it includes allowances for contingencies and profit and for expenses which are unacceptably high. "Finding the proposed rates excessive, I hereby disapprove them and direct that they shall not become effective."

The two rating bureaus promptly issued a statement that they would closely study the disapproval. The rate proposals were, they said, based on the lastest statistical data. In most states, rates have increased annually for several years so that they were very much closer to being adequate than in New York.

No Help For 2½ Years

In New York more than 2½ years have elapsed since the last rate adjustment. No other state in the country has gone so long without a rate revision, the bureaus declared.

They pointed out that private passenger car rates in the state are only 3.4% above those in effect Feb. 1, 1954. In most New York territories, class 1A rates are lower than they were five years ago. These represent 40.7% of

(CONTINUED ON PAGE 38)

Mass. Study Shows Compulsory Auto To Be As For 30 Years Advertised

The report of the legislative commission which has completed an 18-month study of compulsory automobile insurance in Massachusetts is so thorough and presents its extensive findings in so clear and judicious a manner that it is already being referred to in the business as "the story" of compulsory.

This was the first official investigation and review of the operation of compulsory in that state since 1930, three years after it started.

The report states that unfortunately, most of the difficulties encountered under the compulsory system in its early years are still there—indeed have become magnified and more vexatious. This is, according to the commission, "due in large measure to the inextricable and perhaps inevitable interlocking of sound insurance procedure with political considerations."

A Generation Of Dissatisfaction

The report adds that "the juxtaposition of these totally incompatible elements for nearly 32 years has served only to produce an entire generation of public misunderstanding and general dissatisfaction with the operation of the system. Most of this universal dissatisfaction and confusion derives from the fact that nine out of 10 Massachusetts motorists do not understand even the basic operational procedures of the law. Equally regrettable, their prospects of gaining a fundamental working knowledge of the system are likely to remain beyond reach as long as political distractions "and at times outright distortions are permitted to command the situation."

Yet the commission concedes that 'this is not necessarily an indictment of either the intelligence of the Massachusetts motoring public or of the motives of those prominent in the political life" of the state. It is merely the recording of a simple fact, which is common knowledge and has been proved by the record. This "fact" is that when motorists were forced to buy auto liability insurance and at the same time the insurance commissioner was empowered exclusively to establish the rates, "it was preordained that the orderly and systematic functioning of the system was to be impeded and at times entirely frustrated by politics, its inevitable by-product." The report states "that no other result could have been possible."

Cost Is Chief Controversy

Cost is the principal point of controversy and dissatisfaction and misunderstanding over the law. Each Sept. 15 the state reverts to an actuarial and political battleground when the commission announces tentative rates—and the public promptly protests that they are too high and

(CONTINUED ON PAGE 35)

Fidelity General Formed

Fidelity General Ins. Co. of Chicago has been licensed in Illinois to write workmen's compensation and all lines of casualty, as well as burglary and plate glass. The company, an independent, has an authorized capitalization in excess of $3 million, with $450,000 subscribed and paid in. The cash position was certified as of Jan. 30 by Peat, Marwick, Mitchell & Co.

Operating officials of Fidelity General are C. L. Korman, executive vice-president, J. G. Thumley, vice-president, A. G. Roehr, casualty manager, and S. W. Hollander general counsel. Further expansion of capital and surplus is in progress and entry into additional states is scheduled for this year. The home office is at 222 West Adams Street, Chicago.

Western Adjustment Embarking On Broad Adjuster Education Program

Western Adjustment is enlarging its educational activities under a broad program which it is titling Professional Insurance Adjuster. The broad plan is divided into three stages, beginning with the new adjuster and leading through study and examinations to the designations of Adjuster, Senior Insurance Adjuster and Professional Insurance Adjuster.

Western's program was developed by a special committee over a period of 12 months. The subject has been in preparation for two years.

Developed Over One Year Period

Schools, clinics and seminars conducted by Western will continue at the home office and in the 13 states in which it operates. The Professional Insurance Adjuster program is concerned with training and study on a planned basis, concurrent with experience in adjusting. The PIA program covers fire, auto, marine and casualty as well as basic principles.

Assistance in developing PIA was given by Dr. W. T. Beadles of Illinois Wesleyan University. Members of the examination board, representing the companies in Chicago, are A. H. Nelson of America Fore Loyalty group, L. H. Bowers of Fireman's Fund, and H. E. Henderson of Great American.

The first part, stage 1, of the PIA program is concerned with the first six months of an adjuster's experience with Western. While the program as a whole is described as one of self-improvement, the first part is compulsory, enabling Western to supervise the adjuster's initial experience and expose him to the fundamentals of the business.

Stage 2 is the beginning of an extended period of self-improvement and study. The course includes the Insurance Institute of America study outlines, two accepted text-books, a reading schedule and examinations, all of which is extended over 6½ years and if successfully completed leads to the designation of Senior Insurance Adjuster.

The final section is an additional three years of advanced work including study in consequential coverages, advanced accounting, building and electrical engineering, etc., as well as specific information having to do with the work in the field. Following completion and acceptance of a thesis, the adjuster is given a comprehensive written and oral examination at Western's head office. The successful candidate receives the designation of Professional Insurance Adjuster.

Designed As Educational

The program is designed as one of education rather than training and the designations of SIA or PIA are apart from Western's organizational titles. A branch manager might or might not be a PIA or even an SIA.

In explanation of the program, Western says it is attempting to classify its adjusters so that companies can have confidence in their standard of performance and knowledge.

Royal-Globe Cuts Underwriting Loss

Royal-Globe group had an underwriting loss of $3,444,139 in 1958 compared with one of $12,496,630 in 1957. Policyholders surplus increased $34,159,534 to $211,803,114, a new high. Group assets rose by more than $39.5 million to a record $533,433,862. Written premiums declined nearly 4½% to $221,597,407 with a decrease in unearned premium reserve of $8,781,169.

The group had an underwriting gain of $4,448,010 on fire and marine operations. Written premiums were $100,826,591, a decrease of 6.42%, and unearned premium reserve declined by $6,058,267. Incurred to earned loss ratio including loss adjustment expense was 55.32, and the ratio of other underwriting expenses and taxes incurred to earned, excluding federal income tax, was 40.52—for a total of 95.84. The ratio of other underwiting expense incurred to written was 42.96.

Loss In Casualty

In casualty the group had an underwriting loss of $7,892,149. Written premiums decreased 2.79% to $120,752,816 with a $2,722,902 decrease in unearned premium reserve. Incurred to earned loss ratio including loss adjustment expense was 72.22, and ratio of other underwriting expenses and taxes to earned, excluding federal taxes, was 34.17, for a total of 106.39. The ratio of other underwriting expense incurred to written was 34.94.

For all lines, the incurred to earned loss ratio including loss adjustment expense was 64.38, and other underwriting expenses to earned 37.12, for a total of 101.57. The ratio of other underwriting expenses incurred to written was 38.59. Incurred general expenses, including commissions, were 35.5%, and taxes other than federal were 3.1% of premiums written.

Investment income was $13,849,689, an increase of $587,276 over the comparable 1957 figure. Net operating profit was $10,405,550, an increase of $9,639,767 over the year before.

St. Louis Tornado Loss Estimated At About $7½ Million

A tornado which swept through parts of central St. Louis and hit several suburbs early Monday morning caused damage estimated as high as $15 million, about half of which is insured. The National Board has assigned the loss catastrophe serial 98.

Brentwood, southwest of St. Louis, was the first area damaged. The tornado skipped over suburban Forest Park and dropped into a 50 square block section of central St. Louis. The city Arena has extensive roof damage, and the winds pushed over a radio and a television tower, one of which was built to withstand 100 mph pressures.

Early reports from adjusters place the number of losses at 17,000 to 18,000, but only about 3,500 were caused by the tornado, the rest arising from the accompanying 100 mph winds.

Winds or the tornado caused loss in the suburbs of Brentwood, Crestwood, Webster Grove and Forest Park. Major hotels on Kings Highway and Linden Boulevard in St. Louis have extensive wind damage, as do apartment houses in this area.

Underwriters Adjusting and Western Adjustment have set up storm offices.

Home Results Show 1958 Improvement

Home showed an underwriting profit of $430,923 in 1958, compared with a 1957 loss of $8,800,860, Kenneth E. Black, president, reported to stockholders. Home Indemnity, however, had an underwriting loss of $5,181,094 in 1958, though this was $1,407,145 less than the 1957 loss. The combined underwriting loss for both companies was $4,750,171, compared with a loss of $15,389,099 in 1957.

The improvement in Home's results came in the second half of 1958, Mr. Black indicated. The underwriting loss was $8,702,637 in the first half, but the underwriting profit was $9,133,560 in the last six months. Improvement was due to a reduction in expenses and a decrease in the frequency and severity of large fire and windstorm losses.

Home wrote $186,705,858 in premiums, compared with $189,495,596. Investment earnings were $13,057,865, down from $13,179,794 in 1957. Policyholders surplus increased by $64,955,587 to $275,327,257. Assets increased to $516,740,166 from $450,774,193.

Mr. Black reported continued poor experience in automobile physical damage and liability insurance in Home Indemnity. This company's unearned premium and loss expense reserve increased by $4,900,155. Writings rose from $41,844,843 to $43,906,848.

Premiums Total $230 Million

On a consolidated basis, the Home and Home Indemnity combined premiums were $230,612,707 against $231,340,439 and net earnings from investments $14,746,291 against $14,725,537. These figures do not include profit from sale of securities, which amounted to $9,649,441 in 1958 and $3,442,961 in 1957. Combined assets

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McCallion Warns Of Anti-Trust Pitfalls Possible Through Joint Claim Work

NEW YORK—Insurers having a common claimant won't get into anti-trust trouble by merely exchanging factual information, but each company should make sure its action is based on its independent judgment, said Harry J. McCallion, associate general counsel of New York Life, at the meeting here of Eastern Life Claims Conference. Mr. McCallion was recently elected chairman of the New York State Bar Assn.'s insurance law section.

Life And A&S Executives

While the conference is composed of life and A&S claims executives, Mr. McCallion told THE NATIONAL UNDERWRITER that his warnings would apply equally to other types of insurance claims handling.

While the exchange of factual information about a common claimant is generally unobjectionable from an anti-trust angle, provided each company exercises independent judgment in handling the claim, Mr. McCallion advised his audience to avoid the indiscriminate seeking of factual information from other companies and suggested that it would be more desirable to restrict the procedure to special circumstances where there is a particular need for it. In no event, he said, should the procedure be used as a substitute for adequate independent investigation.

What is particularly to be avoided, Mr. McCallion indicated, is any concerted agreement among companies, whether tacit or express, as to the disposition of an individual claim or the uniform handling of particular types of claims. Similarly, disclosure by one company to another or action taken or to be taken with respect to a claim would be an objectionable practice, since it might lead to an inference of joint action.

Since the insurance business is a highly competitive one, claims men can best serve the interests of their respective companies by acting promptly and independently on claims so as to render the best possible service to their own policyholders, Mr. McCallion said.

Mr. McCallion discussed the various federal and state anti-trust laws and article IX-D of the New York insurance law, prohibiting unfair methods of competition. He mentioned public law 15, referring to its provisions making the federal anti-trust acts "applicable to the business of insurance to the extent that such business is not regulated by state law," and generally preserving the applicability of the Sherman act to any agreements or acts of boycott, coercion or intimidation.

Cites Supreme Court Cases

He cited Maple Flooring Manufacturers Assn. vs United States, 268 U.S. 563; Cement Manufacturers Protective Assn. vs United States, 268 U.S. 588, and Sugar Institute, Inc., vs United States, 297 U.S. 553, as cases in which the Supreme Court had approved the gathering and dissemination of trade information and statistics where no resulting concert of action or restraint of trade was shown. But he cautioned his audience with this quotation from the opinion in the Sugar Institute case:

"The freedom of concerted action to improve conditions has an obvious limitation. The end does not justify illegal means. The endeavor to put a stop to illicit practices must not itself become illicit. As the statute draws the line at unreasonable restraints, a cooperative endeavor which transgresses that line cannot justify itself by pointing to evils afflicting the industry or to a laudable purpose to remove them."

William C. Johnson of Security Mutual Life of Binghamton, N.Y., chairman of the claims conference, presided.

General Of Seattle Companies Have Excellent Year

The 1958 statement of General America Corp., the holding company of General of Seattle, First National, Safeco and General Life, abounds in plus signs. Each of the property and casualty companies showed a substantial underwriting profit, and there were gains in investment income, premiums written, and policies written.

Lower Ratio In 1958

The fire and casualty companies showed a combined loss and expense ratio in 1958 of 89.1, compared with 96.6 the year before. The gross underwriting profit was 10.8, and after dividends was 6.9. By companies, the underwriting profit was 3.9 for General of Seattle, 7.1 for First National, and a whopping 17.5 for Safeco, the auto specialty insurer.

Fire and casualty premiums totaled $140,142,000, up 13%; daily reports numbered 2,045,000, up 4.6%; assets were $243,503,000, up $25,431,000.

The return on investments was 3.8% against 3.7 in 1957. It was noted that a greater proportion of investment income last year was tax exempt.

Give Property, Casualty Gain

The consolidated underwriting gain for the property and casualty companies was $8,892,153, the investment income $5,919,389, and other operating income $225,758, a total of $15,037,300. The net profit before income tax was $14,139,887, and after tax was $8,730,319. Dividends to stockholders were declared in the amount of $946,768.

The liquidating value of General America Corp. stock at Dec. 31 was $149.57 against $133.13 the year before. This is figured on a valuation of stocks at cost or market, whichever is lower, and bonds at amortized cost. If the securities were included at market at Dec. 31 (less estimated tax on unrealized capital gains) the total liquidating value would be $194.93 a share.

Increase In Stockholders

General America Corp. closed the year with 2,189 stockholders as compared with 1,767 at the end of 1957.

The quarterly dividend has been increased to 60 cents payable March 2. The current rate is 50 cents.

In addition, a stock dividend of 10% has been declared payable April 15.

Special mention is made of the remarkable growth of Safeco, organized in 1953. This company last year wrote $29,363,000, an increase of 27.6% over 1957.

General Life completed its first full year of business in 1958. The company is entered in 40 states and District of Columbia and it is anticipated that three more states will be entered shortly.

In 1958, General Life issued $18,852,306 of ordinary and $26,791,300 of group, a total of $45,643,606. Insurance in force as of Dec. 31 was $47,067,448.

It is noted that the life business has been produced almost entirely through General America's fire and casualty agents.

President W. L. Campbell comments that the improvement in underwriting results is "most gratifying," and goes on to say: "It is felt, however, that further improvement can be shown in this phase of our business. These results are due to increases in premium rates, from lessening of the upward spiral in claims frequency, improvement in underwriting techniques, and a substantial decrease in our expense ratio . . . Your management considers the year 1958 a successful one."

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Mass. Group Elects

Charles E. Hodges, president of American Mutual Liability, was reelected president of Casualty Insurance Companies Serving Massachusetts at its annual meeting. Frank J. Carry, U.S. manager of Employers Liability, was elected vice-president, and Nelson R. Lyon, vice-president of Massachusetts Bonding, was elected treasurer. John O'Connor was reelected secretary.

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Casualty & Surety Club of Syracuse, N. Y., has elected Matthew A. Donner, Centennial, president; Walter D. Bateman, Continental Casualty, and G. Heidler, Maryland Casualty, vice-presidents; William R. Loehr, Fireman's Fund Indemnity, treasurer, and Harold T. Williams, U.S.F.&G., secretary.

Peerless Elects Talbot President, Heneage Exec. V-P

Peerless has elected John O. Talbot president to succeed Dudley W. Orr.

John O. Talbot

H. R. Heneage

The action carries out an agreement made with Mr. Orr when he became president on a temporary basis in 1955. He continues as chairman of the executive committee.

H. Robert Heneage has been advanced from agency vice-president to executive vice-president, and Ernest E. Newcombe from secretary-comptroller to secretary-treasurer.

Mr. Talbot joined Peerless in 1937. He was named vice-president in charge of reinsurance and underwriting and a director in 1940. He is a deputy U.S. manager of Netherlands, for which Peerless serves as managing underwriters in the U. S. He is also president and a director of Cheshire National Bank of Keene, N. H.

Mr. Heneage has been head of the agency operations of Peerless for the past year. Prior to that he was vice-president in charge of underwriting from the time he joined the company in 1952. He had previously been with National Grange Mutual Liability of Keene, Virginia Mutual and Hartford Accident.

Mr. Newcombe, who was also with National Grange Mutual, joined Peerless in 1930. He was named a director in 1950. He is a deputy U. S. manager of Netherlands.

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Myron Herzog, a Chicago broker for 25 years, has gone with Eliel & Loeb Co. agency at 175 West Jackson Blvd.

Selected Risks Has Underwriting Profit

Selected Risks of Branchville, N. J., in 1958 had an underwriting profit, before taxes, of $239,235. In 1957 the underwriting loss was $235,882. Policyholders surplus increased $1,225,875 to a record high of $4,351,876. Written premiums, including reinsurance, increased $787,402 to $11,163,157.

Assets increased to $14,616,756. Investment earnings, before taxes, increased $65,997 to $1,146,845. The incurred loss ratio, including loss adjustment expense, decreased 4.7 points to 60.6, while the expense ratio decreased .7 of a point to 35.4.

The company has declared a stock dividend of 11½% and, subject to the approval of Securities & Exchange Commission, authorized the offering of 8,500 additional shares of stock to present stockholders at $35 per share.

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Iowa Fire of Waterloo has been liquidated. Aetna Casualty has assumed all assets and liabilities of the affiliated company.

Marine Bureau Reports On N.Y. Pier Thefts

Security Bureau, operated by maritime and other business interests, including insurers, to suppress theft and pilferage in the port of New York, obtained 29 convictions involving longshoremen, truck drivers, checkers, garbage men and others in 1958, according to its annual report.

The report notes that the legal staff made 300 appearances in 1958 to prosecute offenders in the courts of New York and New Jersey, in federal courts and before administrative bodies. Defendants ranged from first time offenders to well known receivers of stolen goods. Since inception of the bureau 12 years ago, 421 convictions have been obtained. The courts have suspended sentences in many cases, weakening the deterrent effect of prosecution, the bureau states.

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Royal-Globe Appoints In N. Y. And Texas

Royal-Globe has appointed Edward L. Bomse compensation and liability manager of the casualty underwriting planning department at the head office. He succeeds Samuel L. Love who has become assistant regional manager at East Orange, N. J. Mr. Bomse was previously manager of the foreign department. He joined the company in 1945 in the special risk department after prior experience with National Bureau.

A. C. Hartland has been appointed superintendent of the inland marine-burglary-glass department at Dallas. He will continue in the production of these lines in Texas and Oklahoma. Assisting him will be R. V. Sands, inland marine special representative at San Antonio.

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New President Named By West Bend Mutual

W. E. Malzahn has been elected president of West Bend Mutual. He advances from senior vice-president to succeed the late Charles W. Walter. Other officers were reelected.

Robert S. Barber, secretary, reporting to the directors on 1958 operations, said the company had an underwriting gain and an increase in premiums. As of Dec. 31 assets were $2,037,092, a gain of $338,000. Surplus was increased $78,803 to $954,853.

The underwriting gain was $14,143 and investment gain $90,447. The increase in premiums of $472,385 brought the total direct writings to $2,558,961.

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Va. Raises Minimum Auto Limits On Buses, Trucks

Virginia corporation commission has increased minimum BI liability requirements for trucks to 15/30 and for buses carrying 12 or fewer persons to 15/60. For buses with 30 or more passenger capacity the limits are 15/150. PDL limits remain at $5,700.

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Louis M. Rutstein, formerly with Fidelity & Deposit at Los Angeles, has joined Webber & Co., adjusters at Memphis.

Continental Companies

GENERAL OFFICES: CHICAGO, ILLINOIS

ANNUAL FINANCIAL STATEMENTS

Continental Casualty Company
and its Wholly-Owned Subsidiary
Transportation Insurance Company
Consolidated Financial Statement—December 31, 1958

ASSETS

Cash	$29,236,024
United States Government Obligations	48,182,834
Canadian Government Obligations	5,938,421
Other Public Bonds	138,551,984
Miscellaneous Bonds	3,267,347
Preferred Stocks	5,373,569
Stocks of Associated Insurance Companies	60,173,558
Other Stocks	95,990,305
Administrative Office Buildings	12,260,486
Net Premiums in Course of Collection (Not over 90 days past due)	11,667,730
Accrued Interest and Rents	2,214,294
Other Assets	6,904,880
ADMITTED ASSETS	$419,761,432

LIABILITIES

Unearned Premium Reserve	$ 82,147,001
Reserve for Losses	121,979,148
Reserve for Loss Adjustment Expense	8,258,000
Reserve for United States and Canadian Income Taxes	3,842,384
Reserve for Other Taxes	4,886,243
Miscellaneous Liabilities	5,768,173
TOTAL LIABILITIES	$226,880,949
General Contingency Reserve	$ 82,216,153
Capital (2,917,595 Shares of $5 Par Value)	14,587,975
Surplus	96,076,355
Surplus to Policyholders	$192,880,483
TOTAL	$419,761,432

Continental Assurance Company
Financial Statement—December 31, 1958

ASSETS

Cash	$ 7,623,472
United States Government Obligations	27,494,478
Canadian Government Obligations	625,000
Other Public Bonds	24,976,123
Public Utility Bonds	82,258,003
Railroad Bonds and Equipment Trust Certificates	22,473,821
Miscellaneous Bonds	133,470,186
Preferred Stocks	6,194,163
Other Stocks	35,689,333
Mortgage Loans	168,306,352
Policy Loans	18,236,035
Administrative Office Buildings	6,954,956
Other Real Estate	29,547,928
Net Deferred and Uncollected Premiums	18,844,943
Accrued Interest and Rents and Other Admitted Assets	5,231,400
ADMITTED ASSETS	$587,926,193

LIABILITIES

Policy Reserves	$415,681,028
Pending Claim Reserve	10,555,278
Premiums Paid in Advance	42,449,794
Additional Funds Held for Policyholders	25,921,177
Reserve for Taxes	4,720,268
Fund for Reinsured Fraternal Society	7,946,208
Miscellaneous Liabilities	7,453,355
Security Valuation Reserve	11,913,536
TOTAL LIABILITIES	$526,640,644
Group Contingency Reserve	$ 4,530,000
Capital (1,600,000 Shares of $5 Par Value)	8,000,000
Surplus	48,755,549
Surplus to Policyholders	$ 61,285,549
TOTAL	$587,926,193

NOTE: All securities are carried in accordance with the requirements of the National Association of Insurance Commissioners as follows: eligible bonds at amortized values; insurance stocks at pro rata share of capital and surplus; all other securities at quotations prescribed by the Association.

Consolidated Net Premiums Written during 1958	$244,324,186
Increase over 1957	3,946,199

Life Insurance in Force as of December 31, 1958	$5,421,720,707
Increase over 1957	514,599,377

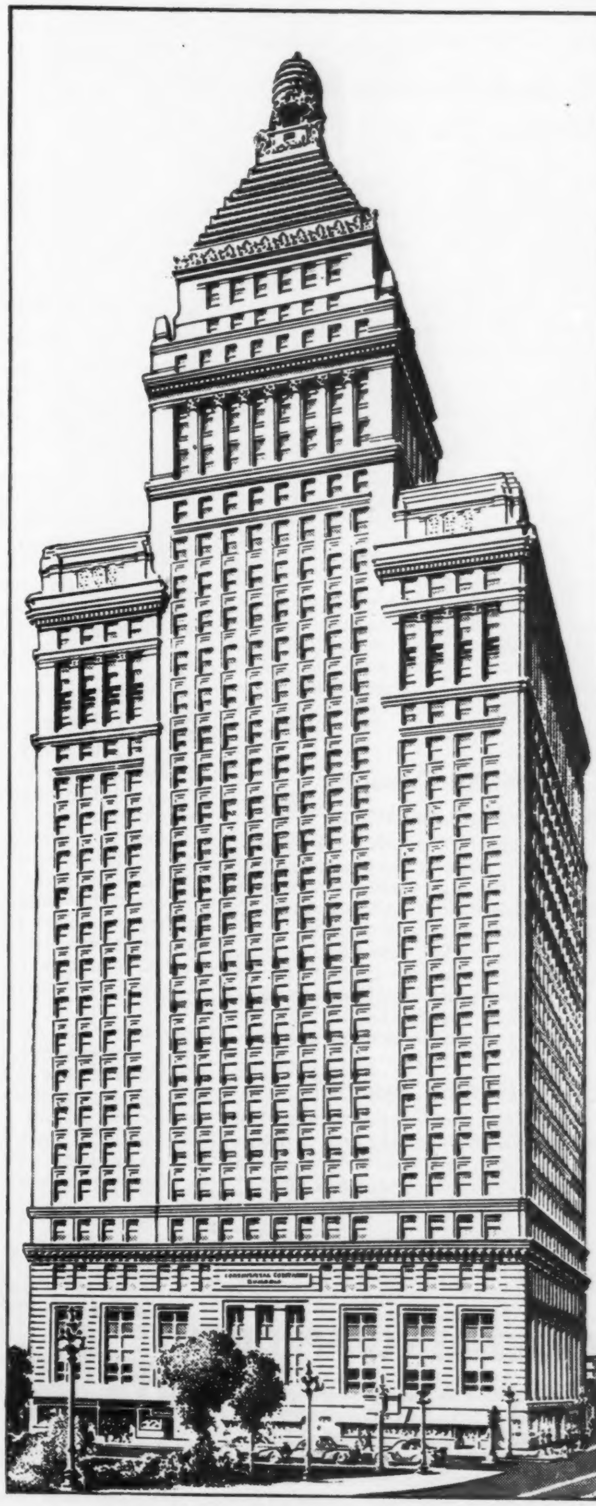
DIRECTORS

†RAYMOND H. BELKNAP — *President, The United States Life Insurance Company in the City of New York*
BOWEN BLAIR — *William Blair & Company*
WM. McCORMICK BLAIR — *William Blair & Company*
WILLARD N. BOYDEN — *Vice President and Secretary*
EDISON DICK — *Chairman, Executive Committee A. B. Dick Company*
†FRANK R. ELLIOTT — *Banker*
BOYD N. EVERETT — *Vice President and Treasurer*
*EDWIN H. FORKEL — *President, National Fire Insurance Company of Hartford*
JOHN A. HENRY — *Vice President and General Counsel*
ARNOLD B. KELLER — *Senior Consultant, International Harvester Company*
HOMER J. LIVINGSTON — *President, The First National Bank of Chicago*
*FRANK V. McCULLOUGH — *First Vice President*
*JAMES J. MERTZ — *Vice President and Comptroller*
*LOUIS C. MORRELL — *Vice President*
†CLIFTON L. REEDER — *Vice President and Medical Director*
HOWARD C. REEDER — *President, Continental Assurance Company*
†DAVID G. SCOTT — *First Vice President and Actuary*
J. M. SMITH — *President, Continental Casualty Company*
JOHN E. STIPP — *President, Federal Home Loan Bank of Chicago*
JOSEPH D. STOCKTON — *Vice President and Treasurer, Illinois Bell Telephone Company*
R. DOUGLAS STUART — *Chairman of the Board, The Quaker Oats Company*
ROBERT D. STUART, JR. — *Vice President, The Quaker Oats Company*
ROY TUCHBREITER — *Chairman of the Board*
KENNETH V. ZWIENER — *President, Harris Trust and Savings Bank*

*Continental Casualty Company only †Continental Assurance Company only

The detailed Annual Reports of the Continental Companies are being prepared. They will be furnished upon request.

Casualty Insurance — Fire and Allied Lines — Life Insurance
Fidelity and Surety Bonds — Domestic and Foreign Reinsurance
Accident, Sickness, Hospital Expense



CONTINENTAL COMPANIES • *One of America's Great Insurance Institutions*

CONTINENTAL COMPANIES BUILDING • 310 SOUTH MICHIGAN AVENUE, CHICAGO 4, ILLINOIS

Grubbs Succeeds Binning As Neb. Director

William E. Grubbs has been appointed Nebraska insurance director replacing John H. Binning. Mr. Binning, who was in office 18 months, suffered from a change in administration at the last election. He is returning to private law practice at Lincoln.

Mr. Grubbs, 32, is a University of Colorado graduate. He ran for attorney general of Nebraska on the Democratic ticket. He is from Scottsbluff where he was vice-president of the city council.

Babaco Predicts New High In Cargo Thefts

Cargo thefts of goods moved by car and truck will probably set a new record in 1959, according to Babaco Alarm Systems, manufacturer of truck burglar alarms, in its publication, Babaco News. The company predicts that the 1958 record total of 40,000 truck cargo thefts, an average of 110 a day, will increase by 10% unless drastic prevention efforts are undertaken.

Babaco believes that 1959 will be particularly bad because the quantity and value of goods moving by car and truck are increasing, competition in the business is becoming more intense, and the number of unemployed is expected to continue or even increase. The article points out that unemployment is a great breeder of crime against property.

During Babaco's 27 years of operation the crime rate has risen steadily and the list of highly susceptible risks has continued to increase. Salesmen's cars and local delivery trucks, once not considered "hot cargo," now head the list.

Continental Casualty Names Jans Assistant V-P

Continental Casualty has elected John Jans assistant vice-president. He assumes the executive responsibility for the intermediate A&S division, the largest individual line division.

Mr. Jans started with Continental as a field representative in 1946. He has been agency supervisor, assistant superintendent of agents and, in 1957, was appointed superintendent of agents.

Erlich Is Mich. Special

Great American has appointed William A. Ehrlich special agent in Wayne county, Mich. He has had experience with two multiple line companies.

IAC Seeks Entries For 1958 Ad Use Contest

Insurance Advertising Conference is sponsoring for the seventh time a contest among agents and brokers on the successful use of advertising and promotion materials during 1958.

Winners in each of four premium classifications will receive "Oscars" at the IAC annual meeting in June.

The contest is split into four groups, by size, in order to give the smaller agencies an equal opportunity to compete. IAC stresses that it is not the size of advertising budget that counts but the advertising results.

In addition, "Oscarettes" will be presented to the three agents or brokers in each of the premium classifications who show the best use of advertising in radio or TV, direct mail, or newspapers.

Information regarding the contest may be obtained from Arthur Dannecker, 410 University Club Building, 40 South Third Street, Columbus 15, Ohio. The contest entry deadline is April 1, 1959.

W.Va. Blue Goose Adds 16 Members, Honors Retirees

West Virginia pond of Blue Goose initiated 16 new members at the semi-annual meeting in Parkersburg. Chester C. Eaton Jr., New Hampshire Fire, MLG, presided.

At an evening banquet, E. P. Douglass, H. A. W. Happer Sr., and Harry C. Wenger, all recently retired from America Fore Loyalty, were honored. Harry W. Kohler, assistant secretary of that group at New York, attended. Charles L. Hyde, General Adjustment Bureau, Philadelphia, deputy most loyal grand gander at large, also was a guest.

'Billy Sullivan Day'

Feb. 13 is "Billy Sullivan Day" in Washington in honor of Commissioner W. A. Sullivan, who has completed 26 years in office and is the dean of commissioners in the standpoint of tenure and is the oldest elected state public official in Washington.

Some 600 members of the industry and the public are honoring Mr. Sullivan at a banquet, with John Henry Martin, manager of Standard Forms Bureau, San Francisco, as toastmaster.

A state fund for fire insurance on public schools has been proposed in **Washington**, the plan calling for a $400,000 appropriation from the general fund to set up a reserve account. The plan is not compulsory, but schools insuring with the fund would be required to carry 75% to value.

Woodbury Is V-P Of Reinsurance Corp.

Reinsurance Corp. of New York has appointed Marion A. Woodbury a vice-president. Mr. Woodbury has been president of Bankers Fire & Marine of Birmingham, Ala. He was with Chubb & Son eight years before going with Bankers F. & M. as executive vice-president.

Health Insurance Problems Studied At Minn. Clinic

STILLWATER, MINN.—Current problems in health insurance were explored in a two-day clinic here sponsored by the St. Paul Committee On Industrial Relations, attended by about 45 representatives of industrial firms.

"Voluntary Health Insurance Versus Socialized Medicine" was discussed by Stefan Hansen, vice-president of Great-West Life, and ways and means by which employers can work toward a solution of current health insurance problems were explained by John F. Abel, consultant Towers, Perrin, Forster & Crosby, Chicago. A case study of what General Electric Co. is doing to provide adequate medical care to its employes was presented by George P. Lehmann of that company.

Pacific National Makes Three Changes On Coast

Pacific National has made three appointments on the west coast.

Joseph F. McCaffrey becomes superintendent of casualty underwriting in the Pacific division with headquarters at San Francisco. He has had experience in field and administrative work.

Laurence H. Henschen is appointed manager at Los Angeles. He has been marine manager for Sayre & Toso in Los Angeles.

David A. Lewis becomes special agent in Los Angeles. He is a past president of Casualty Fieldmen's Assn.

Kansas City Service Assn. Elects Welch President

O. D. Welch, Kansas City Life, has been elected president of Kansas City Life, Accident, Health & Hospitalization Service Assn. Other officers are Robert Crosswhite, Old Security Life, vice-president; Meredith Thomas, Employers Re, secretary; and James Houlihan, National Fidelity Life, treasurer.

Reliance Names Burke

Reliance has appointed Edmund P. Burke Jr. state agent in eastern New York. He will work out of Albany.

NAII Workshop At Houston To Cover Wide Range

The National Assn. of Independent Insurers' workshop meeting in Houston March 23-25 will feature panel discussions on six major topics — multiple line underwriting, claims management, automobile assigned risks, casualty underwriting, state and local taxes, and BI claims.

The workshop will be extended to three full days with the final day devoted to an executive session for NAII members to discuss the ins and outs of independent rate filings.

In the multiple line underwriting session, there will be a discussion of the M-1 report, and a comparison of homeowners A, B, and C with the new forms 1, 2, 3, 4, and 5.

List Panel Agenda

The casualty underwriting panel will take up such auto problems as what is the answer to glass breakage? should coverage under auto policies be broadened, curtailed, or left alone? underwriting the senior or aged driver; are rates nearing adequacy for youthful drivers? analysis of UM experience.

At the assigned risk session discussion will include latest auto assigned risk experience; youthful driver supplement; a new approach to solving the assigned risk problem; and the question of whether rates should be based on experience or surcharges applied to basic rates.

The claims management panel will cover qualification and selection of junior claims executives; control checks on claims field personnel; relationship of claims management of primary insurer to reinsurer; and the place of independent adjusters in claims management.

Physical damage claims will include different systems to dispose of salvage; current problems on glass losses, projections of the repair costs expected on 1959 models; and the influence of auto styling on repair and replacement costs.

To Discuss Loss Spiral Factors

The BI panel will talk on factors behind the loss spiral and what to do about them; uncovering and dealing with fraudulent and exaggerated claims and "built up" injuries.

State and local taxes will be taken up by a panel which will discuss reduction of premium tax rates in certain states through investments; allocation of premium taxes on mobile risks; municipal taxes; tax treatment of homeowners premiums; assessment practices in real property taxation; personal property taxation; sale and use taxes as they relate to insurance companies; the Illinois capital stock tax; Las Vegas license tax; Mississippi income tax; and New York City general receipts tax.

The session on independent rate filings will cover a review of the important provisions of the state fire and casualty rating laws; discussion of the basic qualifications and requisites for successful deviations and independent rate filings; the actual preparation and content of a deviation or independent filing; special considerations involved in multiple line "package" filings; presentation and substantiation of filings, and departmental conferences and hearings thereon; and court review of departmental action on filings.

Employers Re Earnings Up In '58

The 1958 statement of Employers Reinsurance shows a small decrease in the operating gain, the net being $223,985 compared with $256,949 in 1957. Investment earnings of $1,730,-232 compare with $1,533,550, producing net earnings after taxes of $1,643,-720, equal to $2.74 a share, against $1,-418,165, or $2.36 the year before.

Surplus Dec. 31 was $21,398,907, a gain of $4,329,237. In 1957, surplus decreased $336,870.

Employers Reinsurance unearned premiums rose $3.6 million to a total of $20,490,335. Premiums written were $34,500,851, up $4.1 million, with most of the increase in the casualty lines.

Assets of $80,963,725 represented a gain of $10,362,129.

The directors voted to raise the quarterly dividend to 35 cents, and declared an extra of 25 cents both payable Feb. 25 to stock of record Feb. 16.

Great American Promotes Heavers To Denver Post

Great American has appointed George A. Heavers field supervisor in Colorado and Wyoming with headquarters at Denver. He has been with the company since 1954 and has had field and office experience in Minnesota as special agent and Kentucky as state agent in charge at Louisville.

Harry C. Maltby, state agent, and John T. Uhran and William G. Skul, special agents, are associated with Mr. Heavers at Denver.

Howle With Aetna Fire In South Carolina Field

Aetna Fire has appointed James F. Howle special agent at Columbia, S. C., to succeed Stephen Nettles, resigned. Mr. Howle began in insurance in the local agency business and prior to his present appointment was special agent of Atlas.

L. Lloyd Gaines Retiring

L. Lloyd Gaines, special agent in Kansas of Commercial Union, is retiring March 31. His office at Lawrence has been merged with the Kansas City office and his former duties are under the supervision of L. K. Taylor, state agent, assisted by William D. Story.

Mr. Gaines was feted at an informal dinner in St. Louis at which T. D. Lee, assistant U. S. manager, presided.

Mr. Gaines entered insurance in 1919 in partnership with J. C. Hupp, now retired Missouri state agent of Security, in a local agency at Butler, operating as Gaines & Hupp. In 1920, Mr. Gaines withdrew to join Hartford Fire as farm special agent in Missouri, and in 1924 he was transferred to Topeka as Kansas farm special agent. Three years later he joined Commercial Union in the recording department.

Mr. Gaines is a past president of Kansas Fire Underwriters Assn.

Tenn. 1752 Club Conducts Clinics

Tennessee 1752 Club conducted three clinics on the new family auto policy and homeowners program at Memphis, Knoxville and Nashville. A total of 200 attended the three meetings. Bruce S. Stake, Michigan Mutual Liability, was principal speaker for the homeowners program, and Joe D. Kinard of John Ratteree Co., and Joseph M. Clinard, Shelby Mutual, the family auto portion of the meetings.

1958 Good Year For Continental Casualty

Continental Casualty showed an underwriting profit in 1958 of $6,663,332 as against loss in 1957 of $2,548,576. Net investment income increased to $10,385,778, and after taxes the net income from operations was $12,398,-103, up more than 100% from the $6,080,396 in 1957.

Consolidated net premiums of Continental Casualty were $244,324,186, a gain of $3,946,199. Gross surplus was up $46,771,710 to $192,880,483. Assets Dec. 31 were $419,761,432.

Grundemann Supervisor In Southwest Ohio Field

Great American has appointed Clarence A. Grundemann field supervisor of southwestern Ohio at Cincinnati. He succeeds the late Kenneth Page. Mr. Grundemann, who has been attached to the Cincinnati office since 1952, will be assisted by Special Agent Kenneth J. Peterson. Mr. Peterson joined the company in December.

Boston Appoints Bucher Cleveland Special Agent

Boston has appointed Richard K. Bucher special agent at Cleveland. He joined the group there in 1955 as loss supervisor. Prior to that he was in independent adjusting.

Buffalo Names Mahone General Agent In Ga.

Buffalo has appointed W. H. Mahone general agency of Atlanta general agent for Georgia. Mr. Mahone was in the local agency business in Atlanta and was later special agent for Aetna Fire in Georgia until he established his general agency in 1958.

Indiana A&H Group Elects William Roberts President

Northcentral (South Bend) Indiana Assn. of A&H Underwriters has elected William J. Roberts, Benefit Association of Railway Employees, president. Other officers are Frank Pierce, Prudential, and Loyal B. Wilson Jr., Mutual of New York, vice-presidents, and Budman R. Farrar, Indiana Farm Bureau, secretary-treasurer.

Buffalo Field Men Elect

Buffalo Insurance Field Club has elected F. Hemler Vervoort, Crum & Forster, president; Raymond J. Nice, Fireman's Fund, vice-president; John H. Ebdon, Royal-Globe, secretary, and Mr. Charles E. Hall, Springfield F.&M., treasurer.

Spokane Agents Elect

New officers of Spokane Insurance Assn. are: President, Leonard E. Salladay; 1st vice-president, W. E. Burch; 2nd vice-president, Clarence Ayer, and secretary-treasurer, J. J. Gwyer.

The election of Mr. Gwyer transferred the office of secretary-treasurer from the T. J. Meenach agency after 40 years. T. J. Meenach Jr. was secretary-treasurer for 15 years and his father had that position for 25 years before that.

Ross D. Bostwick and Walter R. Kosdon have been elected assistant vice-presidents at the Los Angeles office of **Fred. S. James** & Co. agency.

Williams In Pa. Post For North British

North British has appointed Charles A. Williams assistant manager of the Philadelphia department replacing Gilbert F. Jones, who was appointed assistant manager of the southern department at Atlanta. Mr. Williams began in insurance with Maryland Casualty in the bond department at Harrisburg, and later was a field man in central Pennsylvania. For the past year he has been special agent in Philadelphia of Atlantic Mutual.

Scott And Wickes Are Named By American

American has appointed Harold G. Scott fire and marine manager at Des Moines. Robert A. Wickes has been named assistant superintendent of the fire and marine department at the head office.

Mr. Scott began with American in 1932 in the brokerage department at Rockford. He became special agent at Detroit and then at St. Louis where he advanced to state agent in 1947. Later he was state agent at Decatur and then production supervisor there.

Mr. Wickes joined the company as a trainee in 1948. He became a fire and marine underwriter and was promoted to underwriting supervisor in 1952. In 1958 he went to Trenton in a similar capacity.

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Durham (N. C.) Insurance Exchange has elected Daniel P. Miller president, James Hawkins vice-president, and Phillip Bolich secretary. Sherman Otstot and Richard S. Brantley of the North Carolina association attended the installation ceremony.

Need Adequate Records Under Dishonesty Form, Missouri Court Holds

Missouri supreme court has reversed the circuit court of Jackson county which ruled that an insured was entitled to judgment for stolen amounts of $190 in petty cash and $6,100 allegedly contained in a manila envelope, plus penalties and attorney fees. Notations of entries, withdrawals and balances written on the back of the envelope itself constituted the only record of its content of $6,100. The envelope was never recovered. The case, involving sufficiency of records under an employe dishonesty policy, is reported in 9 CCH (Fire & Casualty) 814.

Miller et al, partners doing business as Standard Awning Co. in Kansas City, secured a fidelity policy from American Bonding. It was stipulated that insured should keep verifiable records of all property covered by the policy. Sometime between Saturday afternoon, Jan. 17 and Monday morning, Jan. 19, 1953, Standard Awning Co. was burglarized. Entry was made through a window apparently left unlocked by one of insured's employes to accommodate the unlawful entrant.

The lock of the inside storeroom door was forced. Tools belonging to insured were taken therefrom and used to breach the masonry of the wall of the vault in which cash and other property were kept in an iron safe. The safe's combination was knocked off and the locks punched and released.

Finds For Insured

Two metallic boxes containing $190 in petty cash were taken, and the insurer admitted liability for this amount. A legal sized manila envelope allegedly containing $6,100 belonging to one of the partners was also stolen. The circuit court awarded insured a judgment of $8,210, representing both stolen amounts plus a penalty for "vexatious refusal" of the insurer to pay, and attorney's fees.

On American Bonding's appeal, the supreme court observed that the only real issue was insured's right to recover the $6,100. The insurer contended that there was no evidence that insured had complied with the policy provision requiring them to keep verifiable records. Standard Awning contended that the notations and entries made on the back of the stolen envelope established the amount of the loss and constituted legal compliance with policy terms.

There should have been substantial evidence to enable the insurer to determine loss with reasonable certainty, the court said.

Cites Obligation Of Insured Under Fire Contract, Need For Valuation

W. M. Young, vice-president of American Appraisal Co., declared that there are two primary and fundamental obligations which insured must assume if a fire insurance contract is to be effective and binding upon the insurer. Mr. Young spoke on valuation for insurance purposes at a meeting of American Society of Insurance Management in New York.

Insured is responsible for the determination of the amount of insurance for which the policy is written and for proving a claim in case of loss, he said. Unless these obligations are met, the effectiveness of the policy is jeopardized and its purpose is materially affected.

Misunderstanding by insured as to his responsibility for these two points is probably partly due to the fact that insurance is future indemnity—purchased today against loss—which may or may not be realized. Loose thinking is also a factor, Mr. Young asserted. However, insured's confusion is not at all due to his own lethargy. Some of the blame attaches to the agent or broker who is anxious to obtain business, takes too much for granted and fails to explain insured's obligations.

Mr. Young emphasized that the amount of a fire policy relates to the value of the property to be insured. At the time the contract is purchased, the valuation engineer or properly qualified appraiser should enter the picture, but rarely does.

Important Policy Language

The standard policy states that the company insures to the extent of the actual cash value of the property at the time of loss, but not exceeding the amount which it would cost to repair or replace the property with materials of like kind and quality. Insured should understand this statement fully, Mr. Young said. He should realize that premium cost for the protection is based not only on the value of the property, but also upon its type and character. Furthermore, he should understand that indemnity payable at time of loss is based upon a specified type of value at that time.

Judges and lawyers have expounded on the meaning of actual cash value, he continued, but his company, which was founded 60 years ago to determine value for insurance purposes, is still confronted with new and exceptional interpretations of it. It is not book value, historical cost, purchase cost, trended costs, nor the result of cube or square foot computation, although this information when properly applied can assist in its determination.

Actual Cash Value, Depreciation

In line with generally accepted insurance usage today, applied to commercial, industrial or private property which is in use for the purpose for which it was constructed or acquired, actual cash value is considered to mean the present cost of reproduction new, less a factor of accrued depreciation, representative of the degree of physical deterioration apparent at any given time, with such regard for functional and economic factors as are deemed relevant for insurance purposes.

There are two important qualifications in this simplified definition, Mr. Young noted. The amount of depreciation refers only to property serviceable for the purpose for which it was constructed, and value is defined at a given time, presumably in the future.

Depreciation to be determined for insurance purposes should be expressed as a total accrued amount, he continued. The treatment is entirely different from the straight-line method of computation used for accounting and tax purposes and should in no way be confused with that procedure. As applied to insurance, it is the means to the determination of value at a given time and should take into consideration that maintenance and repair may tend to offset physical deterioration.

Inviting Potential Loss

A program of property identification and valuation specifically for insurance requirements is an inherent part of every insurance program, Mr. Young declared. To neglect this program is to invite potential loss and dissatisfaction. It is a common misconception that a proper initial appraisal is sufficient for the requirements of the policy when loss occurs. If the period between these events is short, and little change in the property or in values has occurred, proper evidence of value can undoubtedly be furnished. But today there are rapid changes. There has been tremendous appreciation in values in the last few years, and the trend appears to be upward. The problem of values is not static but continuing.

With regard to the responsibility of insured to prepare and present proof of loss, Mr. Young said that difficulties at time of loss should not be blamed on the insurer but on insured for failure to comply with conditions of the policy. Preparation of proof of loss can be routine where record keeping has been kept up to proper standards. Otherwise it can be costly. A loss can actually be settled in advance with the establishment of a proper appraisal record, but this will not automatically insure loss settlements. Adjusters will properly question all substantial claims. But where a basic property record is properly conceived,

(CONTINUED ON PAGE 38)

Year For Hartford Steam Boiler Good, But Losses Rise

Hartford Steam Boiler had an underwriting gain in 1958 of $700,791, its seventh in successive years. The loss ratio, incurred to earned, was 30.4, compared with 28.4 in 1957. Premiums written were $24,816,589, up $2,423,603 and a new high.

Aided by the higher level of the stock market, policyholders surplus increased $7,594,585 to $34,586,821, a new high, according to the report to stockholders by President Lyman B. Brainerd. Investment income was $1,646,152, another new high, before federal taxes of $504,150.

Stockholders will vote Feb. 17 on a recommendation by directors that capital be increased from $3 million to $4 million by issuance of 100,000 additional shares at $10 par. This is a stock dividend of one-third and will be paid for in full by transferring $1 million from surplus to capital.

There was a sharp rise in losses in the last half of 1958, Mr. Brainerd reported. He explained that though there was no material increase in accident frequency, the upward trend continued in repair costs, and the market rise in industrial production during the final six months created larger claims for losses involving business interruption coverage.

Involved Special Equipment

Mr. Brainerd pointed out that a substantial portion of new business in 1958 was in the form of large risks involving not only special coverages but special equipment characteristic of the trend to higher pressures, higher temperatures, larger capacities and increased automation. In some cases the risks utilized processes previously proven only in pilot plants while in others there were boilers, turbines, transformers and other equipment of extremely large sizes. Risks of this kind usually bring with them special engineering problems in accident prevention and control and call for the expenditure of much time and thought by the company's engineering and inspection staffs.

In anticipation of even more exacting accident prevention requirements which seem to lie ahead, inspection procedures are under constant study and improvement and full use is continuing to be made of methods involving ultrasonic instruments, magnetic particles and liquid penetrants, he stated. Moreover, in recognition of the fact that some accident-producing potentialities can be eliminated if foreseen when a new plant or new process is being designed, the company's engineers are conferring frequently with insured and designers during the planning stages. Many such pre-design conferences are held with manufacturers of components for use in nuclear energy power plants.

Six Promoted At Home Office Of St. Paul F. & M.

Six members of the home office staff of St. Paul F.&M. and St. Paul Mercury have been promoted. Ronald M. Hubbs becomes executive vice-president, Denver W. Swanson assistant vice-president, Robert L. Fry secretary, and Herman C. May, H. John Badenhoop and W. G. Smith assistant secretaries.

R. M. Hubbs

Mr. Hubbs joined St. Paul F.&M. in 1936 in the Pacific department and has done field, production and agency work. He became general manager in the southern California territory of the Pacific department in 1946 after war service as a colonel, and the following year went to the home office as assistant vice-president. He was promoted to assistant to the president the next year, and in 1952 became vice-president.

Mr. Swanson, who joined St. Paul F.&M. in 1931, was in the Wisconsin and New York fields until 1945 when he became manager at Indianapolis. He went to the home office agency department in 1946 and became secretary in the agency department in 1951.

Was California Field Man

Mr. Fry was a field man in northern California upon joining St. Paul F.&M. in 1947. He went to the San Francisco office two years later as personnel manager, and in 1954 went to the home office as manager of methods and procedures. He became assistant secretary that year.

Mr. May joined the company in 1927 in the service and supply department, and in 1943 was assigned full charge of that unit.

Mr. Badenhoop started with the company in 1954 as special agent at Jacksonville. In 1955 he was transferred to the home office as executive assistant in the marine department.

Mr. Smith started with the company as an adjuster in 1949, the following year becoming claim manager at St. Louis. In 1956 he was made special agent in Florida and the following year went to the home office as general adjuster in the fire loss department.

Ramsden Joins American As Oregon Special Agent

American has appointed Edward W. Ramsden special agent in Portland, Ore. He was previously special agent of Gould & Gould agency there. He started with Central agency of Seattle in 1950, and joined Gould & Gould in 1952 as special agent in western Washington. He went to Portland in 1957.

A&S Index Bureau Organized At Austin

Accident & Health Index Bureau has been set up in Austin, Tex., by John V. Borden to accumulate records and information on hospital and A&S insurance from participating companies for cross-checking and back-checking applications and claims. There are 30 charter subscribers to the service, which will operate as do similar index systems for casualty and life insurance.

Conventions

Feb. 16-18, Health Insurance Assn., group insurance forum, **Biltmore Hotel, New York.**

Feb. 25-27, Michigan agents, midyear, Statler-Hilton, Detroit.

Feb. 26-28, Texas mutual agents, midyear, Commodore Perry Hotel, Austin.

Feb. 26-28, Tri-State Mutual Agents Assn. of Pennsylvania, Maryland & Delaware, annual, Penn-Harris Hotel, Harrisburg.

March 4-5, Insurance Underwriters Assn. of the Pacific (formerly FUAP), annual, Sheraton-Palace Hotel, San Francisco.

March 9, West Virginia I-Day, Stonewall Jackson Hotel, Clarksburg

March 9-10, New Jersey agents, midyear, Berkeley-Carteret Hotel, Asbury Park.

March 10, Pittsburgh I-Day.

March 12-13, Conference of Mutual Casualty Companies, underwriting conference, Conrad Hilton Hotel, Chicago.

March 19-21, Assn. of Insurance Attorneys, annual, Detroit.

March 20, Washington agents, midyear, Port Angeles

March 23-25, National Assn. of Independent Insurers, workshop, Shamrock-Hilton Hotel, Houston.

March 23-25, National Assn. of Mutual Insurance Agents, midyear, Hollywood Beach Hotel, Hollywood, Fla.

March 25-27, Pacific Insurance & Surety Conference, annual, Santa Barbara Biltmore Hotel, Santa Barbara, Cal.

April 1-4, **Zone 2 of NAIC, The Greenbrier, White Sulphur Springs, W. Va.**

April 2-4, National Assn. of Surety Bond Producers, annual, Plaza Hotel, New York.

April 5-7, Eastern Conference of the National Assn. of Insurance Agents, annual, Hilton-Statler Hotel, Buffalo.

April 5-7, Midwest Territorial Conference of the National Assn. of Insurance Agents, annual, Hotel Skirvin, Oklahoma City.

April 5-7, New York mutual agents, annual, Hotel Syracuse, Syracuse.

April 5-7, Oklahoma agents, 50th annual, Hotel Skirvin, Oklahoma City.

April 10-11, Southern Agents Conference of NAIA, annual, Admiral Semmes Hotel, Mobile.

April 13, Rhode Island Assn. of Insurance Agents, midyear, Sheraton-Biltmore Hotel, Providence.

April 16-17, Ohio mutual agents, annual, Neil House, Columbus.

April 19-21, Mississippi mutual agents, annual, Hotel Heidelberg, Jackson.

April 19-21, Rocky Mountain Territorial Conference of NAIA, Broadmoor Hotel, Colorado Springs.

April 26-28, Far West Agents Conference of NAIA, annual, Westward Ho Hotel, Phoenix.

April 26-28, National Board of State Directors of NAIA, midyear, Westward Ho Hotel, Phoenix.

April 26-28, Iowa agents, annual, Roosevelt Hotel, Cedar Rapids.

April 29-May 1, Zone 5 of NAIC, Arlington Hotel, Hot Springs, Arkansas.

April 30, Midwestern Independent Statistical Service, annual, LaSalle Hotel, Chicago.

April 30-May 1, Conference of Mutual Casualty Companies, claim conference, Conrad Hilton Hotel, Chicago.

April 30-May 2, North Carolina agents, annual, Carolina Hotel, Pinehurst.

May 3-5, Alabama agents, annual, Whitley Hotel, Montgomery.

May 3-5, Florida mutual agents, annual, Robert Meyer Hotel, Jacksonville.

May 3-5, New York agents, annual, Hotel Syracuse, Syracuse.

May 3-5, Zone 3 of NAIC, Sheraton-Seelbach Hotel, Louisville.

May 4-6, American Mutual Insurance Alliance, annual, Edgewater Beach Hotel, Chicago.

May 4-6, Health Insurance Assn., Bellevue-Stratford Hotel, Philadelphia.

May 4-6, National Assn. of Mutual Casualty Companies, annual, Edgewater Beach Hotel, Chicago.

May 6-8, National Assn. of Independent Insurance Adjusters, annual, Shamrock Hilton Hotel, Houston.

May 11-13, Board of Fire Underwriters of the Pacific, Biltmore Hotel, Santa Barbara, California.

May 11-14, National Assn. of Insurance Brokers, annual, Waldorf-Astoria, New York.

May 12, Assn. of Casualty and Surety Companies, annual, Waldorf-Astoria, New York.

May 12-15, Insurance Company Education [illegible]ytop, Pa.

May 14-15, Arkansas agents, annual, Arlington Hotel, Hot Springs.

May 14-15, Central Claim Executives Assn., Marott Hotel, Indianapolis.

May 14-15, National Assn. of Casualty and and Surety Agents, midyear, Ambassador Hotel, Chicago.

May 17-20, Insurance Accounting and Statistical Assn., annual Ambassador Hotel, Atlantic City.

May 18, Vermont agents, spring meeting, The Woodstock Inn, Woodstock.

May 18-20, American Assn. of Managing General Agents, annual, Essex House, New York.

May 18-20, Illinois Bureau of Casualty Insurers, annual, St. Nicholas Hotel, Springfield.

Quinlan And Graf Raised By Buffalo

Buffalo has appointed William F. Quinlan and Henry G. Graf assistant secretaries.

Mr. Quinlan joined the company in 1955 as office manager and director of personnel. He previously had held a similar position with Providence Washington in the western department. Mr. Graf was an official of Creditanstalt-Bankverein, the largest bank in his native Austria, before joining Buffalo at New York City in 1951. He was most recently manager of the investment department.

Perry Retires From Coast Post Of Hartford Accident

Gerald L. Perry, assistant resident manager at Seattle of Hartford Accident and with the company since 1922, has retired. He joined the company at Spokane and in 1927 went to Seattle where he served as special agent, superintendent of bonding, and assistant resident manager. He is a past president of Seattle Surety Underwriters Assn. Mr. Perry will be succeeded as superintendent of bonding by John Griffin.

Cuban Cargo Rates Normal

American Cargo War Risk Reinsurance Exchange has reduced war and strikes, riot and civil commotion rates on cargo shipments to and from Cuba to the normal level of 2½ cents per $100. The rate since Jan. 13 had been 5 cents. From Dec. 18 through Jan. 5 rates were as high as 1% on shipments to and from the interior of Oriente province.

Nevada Casinos, Hotels Mostly Surplus Lines

Because of continued unfavorable experience, more admitted companies are declining to write certain liability risks in Nevada, particularly the gambling casinos and resort hotels, and most of this business has come under control of Surplus Line Assn. of Nevada—and is placed with London. This situation is reflected in the growth of the association's volume—a record of $650,000 premiums in 1958 compared with $480,000 in 1957 and $330,000 in 1956. Nevada Surplus Line Assn. collects the state tax on this business and submits a report with the tax to the department before Feb. 15 each year.

Mutual Bureau Raises Auto Liability Rates In Kansas

Mutual Insurance Rating Bureau has increased auto liability rates in Kansas by a statewide average of 14.6%, effective Feb. 4. The revisions result in an average increase of 17.8% for BI and 10.7% for PDL. For class 1A autos the increases range from $3 in Wichita to $9 in Kanass City suburbs. For class 3 the increases range the same.

Carolina CPCUs Meet

W. E. Robinson, buyer of Burlington Industries, and Robert Schlosser, casualty manager American, spoke at the January meeting of Carolinas' chapter of CPCU at Greensboro, N.C. Mr. Robinson discussed loss analysis, loss prevention and insurance buying in large national industries, and Mr. Schlosser spoke on contractual liability.

United Pacific Sets Up Underwriting Research

United Pacific has set up an underwriting research department at the home office under the supervision of Gilbert C. Speir. Mr. Speir has been with the affiliated Cascade, and is succeeded there by Ralph G. Williams.

The new department will keep the company abreast of industry changes effecting underwriting operations.

Mr. Speir has been with United Pacific for six years, starting in underwriting. He was transferred to Cascade in April to refine and develop underwriting procedures in the auto specialty company. Before joining United Pacific he was for seven years with General of Seattle, Ranier National and two agencies.

—

Larson of Florida has called a meeting of the fire and casualty subcommittee of the Florida legislative steering committee Feb. 25 at Gulf Life offices in Jacksonville to discuss clarification of the proposed revisions of the state insurance code.

Wash. Agents Face 550% Tax Increase

Washington agents and brokers are coping with a legislative proposal to increase tax on gross commission income by 5½ times. The measure calls for an increase in the base tax rate from one-half of 1% to 2½% of gross income. However, for agents, under a separate section of the tax laws, service businesses are subject to a 60% surcharge on the base rate, and this surcharge on the 2½% would result in a 4.4% tax on gross commission income.

When questioned on the plight of an agent who, unlike other service business men, is unable to pass the tax along to the customer in the form of a higher price, a member of the state tax commission said the problem would have to be one of contract between the agent and his company. He suggested that the agent insist that the additional tax be borne by the insurer as an added operating expense through the medium of increased commissions.

Enactment of the measure appears probable with strong administration support in both house and senate. It is noted that such a tax would be a heavy blow to marginal agencies.

—

Standard Accident Names G. E. McAllister At Chicago

Standard Accident has promoted G. Edward McAllister, production manager at Chicago, to assistant manager there. He began his insurance career with the company in 1941 and became production manager in 1954.

—

Great American Appoints Altieri In Maine Field

Great American has appointed James C. Altieri special agent in Maine. He will be associated with Nelson P. Gamage, state agent, at Portland. Mr. Altieri started at the home office and later served as special agent in Connecticut before going to Maine.

—

Bass In Va. For Pacific

Pacific of New York has appointed Thomas J. Bass Jr. state agent in Virginia. He succeeds Paul J. Baisley who has gone to the home office for a special casualty assignment.

Mr. Bass was formerly special agent for Atlas in Virginia.

—

Hites Of Boston Retires

Thomas A. Hites, state agent of Boston at Milwaukee, has retired after 28 years with the company. He joined Boston and Old Colony as a special agent at Lansing.

—

Midland National Names Directors

John H. Buckley and Louis Ginzer have been elected directors of Midland National. The former is claims department manager for the company and the latter assistant treasurer in charge of the accounting and statistical departments. Both have been with the company for a number of years.

—

Seek Recommendations For Gordon Award

Recommendations for the 1959 A&S "Man of the Year" are being sought by the Harold R. Gordon Memorial award committee. The committee will accept recommendations until March 31. The award winner will be chosen on the basis of his contributions to the A&S field.

The award is presented in honor of the late Harold R. Gordon, founder of Chicago A&H Assn. and former managing director of H.&A. Underwriters Conference. The award is co-sponsored by International Assn. of A&H Underwriters and the Chicago association.

The winner will receive the award at the annual IAAHU convention June 14-17, at French Lick, Ind. The name of the winner will be kept secret until then.

The award committee changed the rules slightly this year in an effort to uncover deserving men who might not be highly publicized. Recommendations, rather than nominations, will be submitted to the committee.

—

Great American Appoints Huling In New Jersey

Great American has appointed Ray G. Huling special agent in Hunterdon, Morris, Somerset and Warren counties, N. J. His headquarters will be at Newark. Previously he was inland marine special agent in Connecticut and New Jersey.

—

Great American Makes Changes At Louisville

Donald A. Peckham, field supervisor, has been placed in charge of the Louisville office of Great American, succeeding George A. Heavers, who has been transferred to Denver. Mr. Peckham has been with the company since 1952. Richard W. Doerfler has been appointed special agent, and he will work with Mr. Peckham.

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American International Underwriters is displaying a five-window traffic safety exhibit at the New York headquarters. The exhibit emphasizes safety in New York and around the world and features posters and winning slogans submitted in AIU's world wide safety education drive among its employes.

—

John W. McInerney has been appointed inland marine underwriter at Chicago of Talbot, Bird & Co., general managers for Universal. Mr. McInerney started in insurance in 1950 and has been with National Surety and National Union Fire.

—

Bracy Ray has been appointed special agent in Tennessee, Kentucky and Georgia for Millers Mutual of Texas. He has been in the business for 15 years in the field and with the Tennessee insurance department.

—

Walla Walla County Insurance Assn. has elected J. Robert Zaring president, Wendell Dunham vice-president and John McDonald secretary-treasurer.

St. Paul F. & M. Returns To Form, Shows A Profit

St. Paul F.&M. returned to form in 1958 and produced an underwriting profit. The amount was $1,635,000 and compares with an underwriting loss the year before of $5,665,000. Every major department showed an improvement in loss ratio.

The good results were done on the largest premium volume in history, $161,879,000 for St. Paul F.&M. and St. Paul Mercury.

$10 Million In The Black

Investment income of $8,861,904 produced a net gain from operations, after taxes, of $10,354,059, about five times more than that of 1957.

An increase in surplus of $32,148,895 brought the total as of Dec. 31 to $142,945,079.

The report to stockholders notes that the year was remarkably free of catastrophe losses, amounting, in the case of St. Paul F.&M. companies, to $805,000.

The expense ratio was decreased 0.6% and the number of employes was reduced by 81, partly by the increasing use of electronic data processing equipment.

Book value of invested assets increased by $16,781,000, of which $12,432,000 represented additions to tax-free municipal bonds and $3,682,000 additions to common stocks. Over-all yield on investments was 4.17%.

The Dec. 31 unearned premium reserve was $96,684,887, and the loss reserve was $67,349,858. Assets at the end of the year were $320,282,880.

On a per share basis, the net gains from operations after taxes were $2.53, and dividends paid on that amounted to $1.20. The book value of the stock was $34.92, compared with $27.07 the year before.

—

Says Buyers To Become More Vocal In Search For One Thing: Service

The industry is going to hear a great deal more from the insurance buyer in the future than it has in the past, according to William A. Miller, manager Richfield Oil Co., Los Angeles. His talk was one of several which were presented as part of the Arizona Insurance Day at University of Arizona.

After delineating the purposes of American Society of Insurance Management, Mr. Miller stated that what a buyer expects from his agent or broker is "a great deal." An agent should be reputable, knowledgeable and cooperative, because the one thing a buyer looks for is service.

Too often, agents give the impression that they are more concerned with the commission involved than with the problem of obtaining the best possible coverage and program for the buying corporation, Mr. Miller said. The agent who performs his job and gives sufficient service will not have to worry about commissions.

Buyers generally believe that deductables will be used to a greater extent in the future. This may not happen as soon as next year, but within five years it is inevitable. Buyers do not think that deductables are any kind of panacea, but these should aid in deterring substantial rate increases by allowing assured to handled "nickle and dime" losses, and allowing companies to cover the catastrophe risk.

Deductables should also increase the agent's volume of business, Mr. Miller stated. It is not the purpose of the buyer's organization to pull out every possible dollar and put that money to work in some other field. Instead, the money saved is generally "plowed back into other forms of insurance or in higher limits."

Higher limits are going to be a requisite in the near future. Several years ago it was usual to find companies in the general liability field that were carrying $10 million of insurance. Today, many are carrying close to $25 million, and even that is "inadequate."

Producers today are educationally deficit, the speaker noted, and attributed this to a concern with finding writing and renewing business. In tomorrow's market, the broker or agent who does not keep up his educational requirements will be unable to compete. If the producer is unable to talk intelligently with underwriters he becomes nothing more than a "premium collector," Mr. Miller concluded.

Aetna Fire Appoints Wight At Buffalo

Aetna Fire has appointed Willard M. Wight associate manager at Buffalo, succeeding Nelson C. Taintor Jr., who has been transferred to the home office as assistant secretary. Mr. Wight was previously special agent at Millburn, N. J. He joined the company in 1946, was appointed special agent in Philadelphia the following year and transferred to New Jersey in 1953.

Ga. Mutual Underwriters Organize; Elect Carteaux

Norbert A. Carteaux, Central Mutual, was elected president of the newly organized Georgia Mutual Underwriters Assn. at its first meeting.

James R. Brooks, American Mutual, was elected vice-president. Herbert B. Fletcher, Virginia Mutual, was elected treasurer, and John E. Maze Jr., Employers Mutual Liability, was named secretary. Roy W. Litchfield, Liberty Mutual, was elected a member of the executive committee.

The group presently has representation in ten of the mutual organizations in the greater Atlanta area and numbers 28 members.

New York Agents Change Site For 1960 Convention

New York State Assn. of Insurance Agents will hold its 1960 convention at Hotel Concord, Kiamesha Lake. The meeting will be in May, the exact dates to be announced later. Herbert S. Brewer of Lockport, president, pointed out that the change in convention site from the traditional Syracuse was not due to any dissatisfaction but came about because of considerable sentiment among the agents to try for at least one year a resort type hotel. The change has been under consideration for some time and applies only to 1960.

West Hartford Insurance Agents Assn. voted $2,000 in scholarship aid to students pursuing course work towards the degree of bachelor of science in insurance administration at University of Connecticut's Hartford College of Insurance.

O'Leary Advanced By Employers Liability

Employers Liability has appointed Francis X. O'Leary superintendent of the home office property underwriting department.

He joined the company in the service department in 1936 and attended the training school. After experience in the fire underwriting and agency departments, he became a special agent in Illinois and Indiana, later advancing to marine state agent in Massachusetts.

He went to the property underwriting department in 1957 and was named assistant superintendent in 1958.

Ga. CPCUs Elect Hall; Formulate 1959 Plans

C. Robert Hall Jr., Chubb & Son, Atlanta, was elected president of Georgia Chapter of CPCU at the annual meeting.

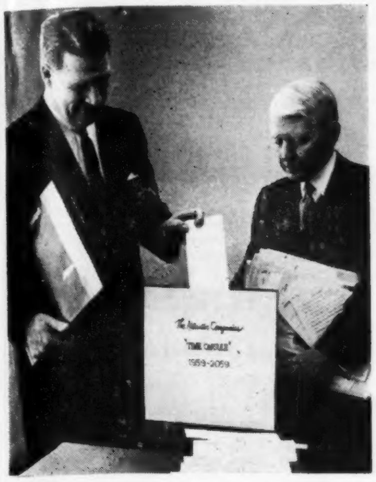
James R. Westlake, Southern Agencies, Inc., was elected vice-president. Herbert B. Fletcher, Virginia Mutual, and C. Preston Bradford, Adams-Cates Co., were elected secretary and treasurer, respectively.

Plans for the coming year include awarding of additional scholarships, CPCU study courses, a research project, and an all industry luncheon and conferment ceremonies for the 1959 designees.

Pacific Of N.Y. Group Names Four To Boards

Pacific of New York has elected Edward G. Crapser, vice-president and secretary, a director. Roderick McRae, executive vice-president of Bank of New York, has been elected a director of Bankers & Shippers. Joseph C. Bickford, vice-president of Bankers Trust Co., and William S. DuBois, vice-president of Chase Manhattan Bank, have been named to the board of Jersey.

Blackstone Mutual of Providence has elevated three district sales managers to assistant vice-presidents. They are William P. Young, Minneapolis; Paul J. Donnelly, Pittsburgh, and Robert W. Baker, New York.



Miles F. York, left, president of Atlantic Mutual, and Franklin B. Tuttle, chairman, fill a "time capsule" with documents of the company's 117 year history, records of the present insurance situation, and predictions by insurance experts of what the business will be like in 2059, when the capsule will be opened.

The capsule will be sealed and imbedded in the floor of the company's new home office building being completed at Wall and William Streets, New York.

When Atlantic Mutual employes, to whom the capsule is addressed, open it 100 years from now they will find the company's history represented by such things as a print of the clipper ship Challenge, which was insured by the company in 1851 and a copy of Atlantic Mutual's first charter, issued in 1842. The present is depicted by financial and economic sections of New York daily newspapers. Predictions of what the fire and casualty business will be like in 2059 are written by 14 insurance editors and writers, and Mr. York. The new Atlantic Mutual building is constructed on a site occupied by the two previous home office buildings of the company and has been the company's address for the past 108 years.

Three Join Actuarial Firm

William A. Ferguson, Haeworth Robertson, and Rudolph M. Lohse have joined Bowles, Andrews & Towne, actuaries and employe benefit plan consultants. Mr. Ferguson, member of Society of Actuaries, was formerly manager of the pension underwriting department of Great-West Life. Mr. Robertson, also a member of Society of Actuaries, was formerly engaged in consulting actuarial work.

Sees Package Filing Fracas Inviting Federal Regulation

Henry D. Bean of Haddonfield, N. J., president of National Assn. of Mutual Insurance Agents, declared that the cleavage between bureau and independent companies on the question of controlling package policy filings is tragic at this time when the business must demonstrate that state regulation is adequate and successful. He spoke at the annual meeting of the New Hampshire association at Concord.

If the independents continue to protest that they are persecuted and the bureau companies maintain their position, federal intervention will be invited, Mr. Bean asserted. He heard the arguments of both sides at the annual meeting of National Assn. of Insurance Commissioners and, in spite of fundamental differences, he believes that there are areas of compromise.

Mr. Bean said he believes the time has come for NAMIA to invite the National Assn. of Insurance Agents and National Assn. of Insurance Brokers to join in urging the opposing forces to attempt to reach points of agreement. This would be in the interest of preserving the business.

Auto Rate Increases Imperative

Mr. Bean said that in NAMIA committee meetings in Washington recently, company men and agents indicated that cooperation between rating bureaus and agents' associations prior to rate filings would aid in having such filings approved. The two year delay in automobile rate increases in New York and the disapproval of a badly needed auto rate rise in Florida should demonstrate to the business the need for cooperation. Advance help by state associations, both stock and mutual, is needed, but bureau officials would have to meet agents half-way.

Results of the poll of mutual agents on the cost of doing business are now being computed and correlated, Mr. Bean said. The results will enable agents to demonstrate to insurers and to regulatory authorities that agency costs have increased as in other segments of the business.

Concern about the continued progress of specialty companies continues, he observed, and some are inclined to meet this competition with price. There is something to be said for that approach, but NAMIA believes that its members' superiority lies in quality of product and versatility of service.

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Editorial Comment

Driving Without A Road Map

Agency companies have scarcely wet a big toe in the sea of marketing research despite their expressed alarm over competition from other types of insurers for the mass market.

Other types of American business are not so backward, according to American Management Assn. Noting the trend toward formally organized marketing departments, AMA made a survey of 195 companies—none of them insurers—which carry on marketing research. The activity has increased more than 500% on a full time basis since World War II among the companies surveyed. About 40% of these companies had 1956 sales volumes of more than $100 million, while 27% had sales of $25 million or less. Thus, many of them are on a par with medium or smaller insurers.

More than three-fifths of the 195 companies have at least one full-time marketing research employe. About 25% of the companies assign the responsibility on a part time basis—more often to a line rather than to a staff executive. Most of the others assign research to an outside agency or divide the function. Not one of the companies with a sales volume under $25 million had an organized marketing research unit before World War II, but from 1952 to 1957, such departments had increased nearly 300%. About 21% of the small companies in the survey do full time market studies, compared to 66% of the medium sized firms, and 88% of the large ones.

Some 65% of manufacturers of industrial goods have full time marketing specialists, while 54% of consumer products manufacturers employ them. Of companies producing both types of goods, 70% have full scale marketing divisions. Based on reports of 84 companies on the percentage of their gross sales dollar spent on marketing research in 1956 the median figure for consumer goods manufacturers was .2% of sales and for industrial goods manufacturers, .1%.

Sales volume determines the research investment. Median expenditures as a percentage of sales for companies in different categories were as follows: Under $15 million, .5%; $15 to $25 million, .1%; $25 to $50 million, .5%; $50 to $75 million, .1%; $75 to $100 million, .15%; $100 to $250 million, .1%; $250 to $500 million, .1%; and $500 million or more, .4%. There were extreme variations in expenditures within size groups.

From time to time a clarion call for marketing research is heard at agency company conventions, but it usually dies away to a wistful echo. It is hard to understand how insurers can project competitive programs without such research. In fact, the lack of it has led the business into underwriting trouble on more than one occasion.

Insurers may not know how to start marketing research. Perhaps if they overcame their tendency to talk only to each other, and instead consulted other types of business organizations—some of which are undoubtedly their own insured—they could match other businesses in determining what, where, how, why and to whom they are going to sell in an increasingly competitive market.—J.N.C.

Watch Out For Eccentrics

The organization man, as a symbol of conformity, has been verbally dissected and analyzed endlessly in the past few years. Books have been written about him and he has become a figure to be admired or deplored, depending on the viewpoint of the observer. From time to time there are discussions in the insurance business on the question of conformity and creativity. As might be expected, these have often centered around advertising men whose function is essentially creative.

They are told in friendly fashion and in a constructive spirit by company executives that they must operate within an organizational framework and that there is no place in large enterprises for eccentrics. No one could quarrel with that viewpoint, provided there is agreement on the meaning of "eccentrics." If that means people who willfully insist on running off on a tangent to management's goals or who disrupt or interfere with other company procedures by their shennanigans, then the executives are right. But if "eccentrics" is meant to describe men who have a tendency to question old procedures and the temerity to suggest a fresh approach to an advertising problem, then the executives might reconsider their position. By and large, it would seem that company advertising men are much like their colleagues in other areas of the business. They chafe when anyone with an underwriting or other technical background attempts to tell them what advertising will appeal to laymen. Possibly underwriters and other technicians would be equally itchy if advertising men regularly made suggestions on what lines to underwrite or how to settle claims. Incidentally, advertising men usually welcome technical checks for accuracy on their creations. They balk when technicians become writers of undying prose or art critics.

In any case, while that problem is hardly a major one, it serves to bring up the question of conformity and of organization men in other areas of the business. This is a subject on which people tend to take extreme views. Moreover, they often confuse creativity or a different approach with non-conformity. Some even hold that there is little room in the insurance business for creativity. The business has its rule books, its underwriting guides, its claims principles and charted procedures in every other area, they note. Perhaps it never occurred to them that all these established standards represent gradual accomplishments of creative people who had to fight to have them accepted. In their day, they may have been called eccentrics. But when they have passed out of the scene they are referred to in convention speeches as hallowed leaders of the past.

The question of leadership is an interesting one in this day of the organization man. Obviously, leaders must have gotten out of step with their colleagues at some point or they would not be out in front. The truth is that they move at a different gait, and no measured march of conformity could ever slow them down. They don't get ahead by tripping people—that would be the trick of a dis-organization man. They just move faster.

It is interesting to observe that leaders in any field invariably are different from their fellows. As a homely example, in the last war the rank and file wore standard uniforms and used equipment without variation. But MacArthur had his open shirt and corncob, Patton had pearl handled pistols, Churchill had his siren suit and even Eisenhower adopted a special jacket. Were these eccentricities the rewards of leadership, or did the men who enjoyed them become leaders because of their tendency to deviate from the norm?

It's worth thinking about. Company executives might even keep an eye out for men whose left foot is forward while the rest of the ranks have their right foot out. It may be that they don't know one foot from the other. On the other hand, they may have different ideas on how the company should march. And that's what companies need—different ideas.—J.N.C.

Personals

The marriage has been announced of Judy Darlene MacDonald to **John P. Old III** at Sault Ste. Marie. Mr. Old is a member of the Old, Murphy & Old agency of Sault Ste. Marie, and is a third generation member of the agency. His father is in the line of succession to the presidency of Michigan Assn. of Insurance Agents.

Leo B. Menner Jr., vice-president Leo B. Menner & Co., Chicago Lloyds representatives, and Mrs. Menner are the parents of a new daughter, Mary Margaret. The Menners have two other children, Patricia and Michael.

K. H. Parker, manager of Western Actuarial Bureau, is relinquishing the chairmanship he has held for 18 years of the scholarship committee of fire protection engineering at Illinois Institute of Technology. His successor will be **John Hommes**, assistant manager of WAB. More than 600 four-year scholarships have been awarded since this assistance was established in 1921. Currently, about 16 awards are made annually to high school graduates from 18 midwestern states.

David K. Murphy, St. Louis broker, upon returning from the annual meeting of Insurance Board of St. Louis, at which he learned a few things about combatting auto accessory thefts, spotted two men stealing a tire from

The NATIONAL UNDERWRITER

ABC

The National Weekly Newspaper of Fire and Casualty Insurance

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a neighbor's car. Mr. Murphy followed the thieves to another vehicle, which they also stripped, and then called the police. One of the pair was apprehended and the other is being sought.

W. Clement Stone, president Combined of Chicago, had an article entitled "Reading Can Make You Rich," in the Chicago Tribune's Sunday supplement Feb. 8.

Deaths

Edmond Madden

EDMOND MADDEN, 56, manager of the bonding department at Chicago of Maryland Casualty, died at Chicago. He entered the business in the company's bonding department in 1925, and he became manager in 1934. He was a past president of Chicago Surety Underwriters Assn.

Big I 1959 Program To Begin On TV

The 1959 national advertising campaign of National Assn. of Insurance Agents will begin March 1 with a 13 week cycle of evening television programs in 157 markets. This initial phase of the campaign will comprise weekly news, sports news and weather broadcasts with local personalities participating.

Commercials will feature dramatic incidents demonstrating the services of independent agents and endorsements of agents by insurance authorities and famous personalities.

Will Receive Material

NAIA members who have subscribed to the program will receive a kit of tie-in advertising material for local use prior to the start of the TV campaign. The kit contains a schedule of TV advertising and specially prepared newspaper ads, posters, TV and radio scripts, and direct mail for individual agents and their associations.

The 1959 program also contemplates insertions in Life, Time, Farm Journal, Farm and Ranch, and Sunday newspaper supplements. The starting date for these ads will depend on how rapidly subscriptions are received.

Three Officers Elected By Rough Notes

Three new officers have been elected by the Rough Notes Co. of Indianapolis. They are Edward W. Wohlgemuth, president; Richard J. Layton, vice-president; and Hovey B. Skelton, secretary. John Z. Herschede has been reelected treasurer and Mr. Layton was elected a director.

Mr. Wohlgemuth joined the company in the sales department in 1939 after having previously traveled Michigan for the National Underwriter Co. In 1940, he was made manager of the company's typesetting subsidiary and then of the circulation and mail departments. After army service, he returned to Rough Notes Co. as manager of the pictorial division. He was elected secretary in 1950 and vice-president in 1951.

Mr. Layton has spent his entire business career with the Rough Notes Co., joining it in 1930 after attending Butler and Indiana Universities. Since 1937, he has been in charge of agency office systems, research, development, and merchandising. He also is an associate editor of Rough Notes magazine and is author of Step by Step, a manual for local agency offices.

Mr. Skelton joined the company in 1927 as an advertising service salesman after similar work on newspapers. He was made sales manager in 1934 and was named a vice-president in 1946. He is a charter member and past president of the Indiana chapter of CPCU and is currently an officer of the Indiana Blue Goose.

Farm Underwriters Elect Walinder

Farm Underwriters Assn. at its annual meeting elected B. R. Walinder, America Fore, as president to succeed Walter H. Mashek, St. Paul F.&M. Mr. Walinder is making his second round as president of this organization. He occupied the office a number of years ago.

B. R. Walinder

H. K. Scott, Aetna Fire, was reelected vice-president, and K. S. Ogilvie, Western Underwriters Assn., was reelected secretary-treasurer.

The committee chairmen are: Advisory, E. E. Ross, America Fore; conference, J. R. Munson, Home; merchandising, R. H. Meade, Home; public relations, W. H. Buesching, National Fire; research, D. O. Stackhouse, Crum & Forster; forms, H. K. Scott, Aetna Fire; statistical, J. E. Cryan, America Fore.

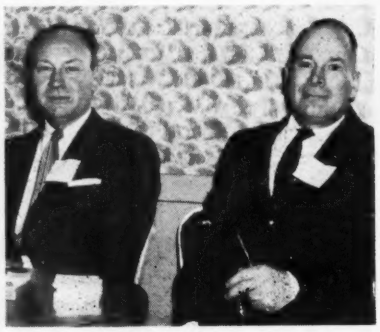
In his presidential report, Mr. Mashek, who was concluding two years in office, noted that the survey and rating plan has been approved in 15 out of 19 states in which Farm Underwriters Assn. operates as an advisory organization.

Last year was a good one for the farmers, but it was not as good for the member companies of FUA, he noted. However, the companies offer a capacity to write inflationary values, and this, he said, is important to producers who need the stock company market to write the large modern farms.

Chicago Buckeyes Are Pictured In Action

Pictures on this page were taken by a staff photographer at the annual meeting of Chicago Buckeye Club. Details of the event were reported last week. All photo identifications read from left to right.

Headliners at the Buckeye meeting —Ohio's new superintendent, E. A. Stowell, and the president of the Chicago Buckeye Club, Donald J. Neal of Atlas-Royal Exchange-Sun.



Dale G. Stentz, Western Adjustment, new 2nd vice-president of the Buckeyes, with one of the ex-presidents, James A. Davidson of Factory Insurance Assn.

Charles Martell of Fireman's Fund; C. J. Lauer, Des Plaines agent and new 1st vice-president of the Buckyes; C. N. Mullican of the Fund, a past president; Superintendent E. A. Stowell of Ohio, and Levering Cartwright, president of Cartwright, Valleau & Co., investment securities.

Lyman Drake Jr. of Critchell, Miller agency, a past president of the Buckeyes, with D. F. Best, Illinois Inspection Bureau, and Martin J. Gallagher of Marsh & McLennan.

John T. Even of W. A. Alexander & Co.; Arthur Fleischhauer of the head office of General Accident; John S. Warren, Chicago manager of General Accident, and Ray Matson, manager of Illinois Inspection Bureau.

Harold L. Bredberg, head of Bredberg Reports and the new secretary of the Buckeye Club, with J. P. Thomas, associate manager at Chicago of North America.

Prominent members of the Ohio delegation: Ivan Steiner Jr. of Wooster, president Ohio Assn. of Insurance Agents, and Douglas N. Avery, the agents' executive secretary.

Continental Casualty Promotes Gilmartin

William J. Gilmartin Jr. has been elected assistant vice-president by Continental Casualty. He will retain his duties as superintendent of the reinsurance division.

Mr. Gilmartin joined Continental in 1950 as an actuarial trainee, subsequently becoming assistant superintendent and superintendent of the reinsurance division. He was named assistant secretary in 1956.

Examine Metro Exchange

An Illinois examination of Metro Inter-Insurance Exchange of 418 East 47th Street, Chicago, for the period Jan. 1, 1955-Dec. 31, 1957, showed a surplus at the latter date of $3,392, which is $21,607 under the minimum requirement of the Illinois code. It was noted by the examiner that claim reserves were inadequate to liquidate losses as of the examination date, the exchange was not assigning an identification claim number to claim notices which is contrary to the Illinois code, the exchange did not maintain a surety bond on the officers and employes and had only one signature required on checks and entrance to the vault, the reinsurance treaty did not contain an insolvency clause as required by the Illinois code, and the exchange did not maintain a securities register.

Director Gerber, who signed the examination Jan. 30, 1959, noted that it is customary for the director to call attention to material items which require correction, and he ordered:

1. That Metro Exchange maintain its claim register and establish its loss reserves in the manner stipulated by the code.

2. That the practice of requiring but one signature on a check and for entrance to the safety deposit vault be corrected at once by having at least two signatures.

3. A proper reinsurance treaty must be obtained containing an insolvency clause if the exchange intends to take credit for its ceded business.

4. The exchange must install an investment register for its securities.

Subsequent to the examination, Mr. Gerber received a letter from the president of the exchange stating that each of the foregoing directives had been complied with.

The examination showed assets of Metro Exchange as of Dec. 31, 1957, as $207,209, a net surplus of-$52,607 and a gross surplus of $3,392.

Earned premiums in 1957 were $163,070, losses incurred $117,472, loss expenses $35,290, other underwriting expenses $60,873 for an underwriting loss of $50,568. Net income, after investments, was —$47,803.

L. R. Farmer Promoted By Continental Casualty

Lee R. Farmer has been elected assistant vice-president of Continental Casualty. He will continue as superintendent of the A&S general group division.

Mr. Farmer joined Continental in 1955 and has been regional manager, sales manager and superintendent of the general group division. Since 1957 he has been responsible for building an administrative staff and initiating a home office training program for field men.

Hardware Mutuals Elect

Robert F. Froehlke was elected vice-president of Hardware Mutuals of Stevens Point, Wis. His position as assistant general counsel will be filled by Mark Makholm of the legal department.

Pa. Field Club Elects

Pennsylvania Field Club has elected Kenelm Winslow Jr., Aetna Fire, president; Harry F. Eggert, National Union, vice-president; W. J. Hallstead, America Fore, secretary, and Fred R. Lehrman, U.S.F.&G., treasurer.

United Adjustment of Kansas City has opened a branch at Jefferson City with W. C. Meredith as resident adjuster.

Kemper Again Sponsor Of NBC TV News Show

The NBC News show is being sponsored by the Kemper companies for 10 consecutive Tuesday evenings. The series began Feb. 10. The show which features reporter-news analysts Chet Huntley and David Brinkley, is seen on the NBC-TV network.

Ninety-four network stations throughout the country have been ordered for the Kemper-sponsored show, which is televised at 6:45 or 7:15 p.m. (EST), time optional with local stations.

Has Sponsored Previously

Kemper sponsored NBC News twice before—in the spring of 1958 and last fall—and the sponsorship is being repeated "at the request of our agents," according to Clive R. Bishop, advertising manager.

The commercials directed to the show's estimated 8 million viewers again will stress local agency service and professional insurance counsel available from more than 7,000 Kemper agents across the nation, he declared.

Four Promoted By Northern Of N. Y.

Northern of New York has elected Herbert G. Guempel, William J. Huber and Robert N. Hughs vice-presidents. Mrs. Kathryn Turner has been named secretary.

Mr. Guempel joined the company in 1939 as state agent in New Jersey. He advanced to assistant secretary in 1945 and remained in the field. In 1956 he went to the home office as assistant vice-president in charge of the mid-west and continues in this responsibility.

Mr. Huber began with the company as a fire underwriter for the eastern territory in 1944. He became superintendent of agencies for that territory in 1946, assistant secretary in 1950 and assistant vice-president in 1951. He retains supervision of the same territory.

Mr. Hughs started as state agent for Georgia, Alabama, Florida and the Carolinas in 1949. He went to the home office in 1956 as assistant vice-president with supervision of the same states and continues in that capacity.

Mrs. Turner joined Northern in 1948 as personnel director and executive secretary to Hoyt O. Perry, chairman. She became assistant secretary in 1954. She remains in charge of the personnel and agency departments.

Hospital Facilities Used More Often By Insured Than Non-Covered Persons

Americans with health coverage make far greater use of hospital facilities than uninsured persons, according to a Health Insurance Institute analysis of data in a 1958 study by the U. S. Department of Health, Education & Welfare.

The study, which covers the period from September, 1955 to September, 1956, shows that more than 11 of every 100 insured persons were hospitalized during the year as compared to almost eight out of every 100 non-covered persons. On the other hand, the study, which surveyed only persons age 14 and over, shows that the average hospital stay of insured persons was 9.1 days as against 12.8 days for those without coverage.

N. C. Firemen's Pension Fund Law Is Nullified

North Carolina supreme court has reversed Wake county superior court and declared the firemen's pension fund law unconstitutional. The decision was based on discrimination in the law which exempted farm mutual fire insurers from the tax to make up the fund while charging other insurers.

Six insurers had appealed the lower court's ruling to the supreme court. Following the reversal, Commissioner Gold said that fire insurers and firemen will retrieve amounts paid into the fund. The insurers have paid $22,400 to the commissioner's office and $64,474 to Wake county superior court to be held in escrow. Interest has increased the latter amount to $65,284.

Royal-Globe Raises Ziegele At Boston

Royal-Globe has appointed Alvin Ziegele fire manager at Boston. Previously regional fire underwriter there, he has been with the group more than 30 years.

—

The Illinois regional office of **Allstate** has been moved to new quarters at 7770 Frontage Road, Skokie. The unit has been at the home office. It services 350,000 policyholders.

Crighton Named V-P Of Seaboard Surety

Seaboard Surety has elected M. H. Crighton Jr. vice-president in charge of the southeastern department at Atlanta.

He joined the company in 1953. Prior to that he was with Fidelity & Deposit and with Federal.

—

The San Francisco office of **General Adjustment Bureau** has been moved to 1521 Sutter Street.

Comments On State Of Affairs At Lloyds

Norman Crump, city editor, writing in the London Sunday Times, comments:

Several weeks have now elapsed since it first became known that an underwriting syndicate at Lloyds, known as the Roylance Syndicate, was experiencing difficulties. In the meantime, several misconceptions have arisen, and it may be helpful to dispel them.

The following explanations are based on a recent statement by the committee of Lloyds, which so far has received inadequate attention. It is common knowledge that the Roylance Syndicate's difficulties have arisen from their experience in respect to overseas commitments, but it is entirely wrong to say that those difficulties arose from claims arising out of the serious American hurricanes of the latter part of 1954.

Third Party Claims: What actually happened was that the syndicate accepted a fair volume of third party insurance. As every litigant knows, third party like other legal claims take a long time to settle. If resort is had to the courts, then, especially in the United States, the delay may be even more protracted. Again, it is very difficult to predict the amount of damages likely to be awarded in any particular case, and in the United States, as elsewhere, the courts are often liable to award damages on a generous scale.

Third Party Claims Are Problem

These facts help to explain two points. First of all why it is only today that the difficulties of this syndicate have become apparent. Second, the real trouble is that events have proved that the cost of settling outstanding third-party liability claims has proved to be much in excess of the reserves created for this purpose.

This explains why the syndicate has got into difficulties. But even more serious misconceptions have arisen over the steps now proposed to aid the syndicate's members. These equally need explaining.

First and foremost, every member of Lloyds, whether a "working member," or a "name," is liable for his commitments to his last penny. Next, Lloyds has established a central fund, which in the last resort will make good any claim which any particular member of a syndicate is unable to meet: But it is hardly necessary to add that anyone who finds himself in this position will cease to be a member of Lloyds.

Now, one can fairly draw a distinction between a working member, who gives the whole of his life to Lloyds; and a "name," who is a man of wealth who pledges his fortune and draws his underwriting income, but takes no active part. Such a distinction is being drawn in the present case.

Loan Arrangements

"At the meeting of members held on the 16th instant (December) it was decided that temporary loans at commercial rates of interest may be made by Lloyds central fund to those members of the Roylance Syndicate who are actively engaged at Lloyds against the tax recoveries which their accountants estimate they will receive in respect of their underwriting losses, subject to immediate repayment of the loans when the tax refunds are received from the inland revenue authorities., No loss in respect of these loans will therefore fall on the central fund of which the principal object remains the protection of the insuring public."

The above excerpt from the Lloyds committee's statement means exactly what it says. Working members are to receive a loan, not a grant, and so there is no question of the central fund subsidizing them. The loan must be repaid when the tax refunds are received, and as it bears interest, the central fund can regard it as an investment.

This loan cannot be large enough to cover the whole of a working member's losses. He, himself, will have to find the balance. And the "names" involved will neither be offered nor will desire to receive a loan.

The committee has also stated that all valid claims against the syndicate will be paid in full. So they will. It is to be hoped that every member, whether "working," or a "name," will be able to do so under the arrangements described above. If not, the members concerned will cease to belong to Lloyds.

NAIA Appoints Smith Director Of Research

National Assn. of Insurance Agents has named Lawrence F. Smith director of research. He has been authorized to add more personnel to the research department and expand its services. Mr. Smith joined the NAIA New York staff in 1955 as administrative assistant and later was named director of education.

Shelby Mutual Names Byrne To HO Post

Edward W. Byrne has gone with Shelby Mutual as assistant secretary and actuary. He will serve as an assistant to L. M. Dunathan, executive vice-president and secretary. He is also a part of the group working on the company's program for automation expected to get under way later this year.

Mr. Byrne has had 30 years' experience in actuarial work with Travelers, the last two devoted specifically to procedures analysis relating to electronic equipment and programming.

Standard Fire Of N. J. Has Over-All '58 Gains

Standard Fire of Trenton showed all-around gains in 1958, including highs in assets, policyholders' surplus and premiums earned.

Assets climbed to a record high of $7,556,353, an increase of $1,248,201, compared to 1957. Policyholders' surplus came to $3,625,856, an increase of $1,136,223, compared to 1957.

Premiums written totaled $2,449,884, an increase of $198,327, or 8.81%, compared to 1957. Premiums earned were also the largest amounting to $2,357,673, an increase of $135,258, or 6.08%, compared to 1957.

Decrease In Expense

Loss and loss adjustment expenses incurred were $1,279,630, or 54.28% of premiums earned. This compares with 55.54% for 1957, a decrease of 1.26 percentage points. Underwriting expenses incurred total $1,065,518, or 43.49% of premiums written, a decrease in expense of .82 percentage points compared to 1957.

After allowing for an increase in unearned premium reserve of $92,210, the company had a statutory underwriting profit of $12,582. Investment income earned showed continued growth and amounted to $182,916, compared to $174,885 for 1957

Airkem Holds Hotel Guests After Fire

Airkem, national firm specializing in odor control, helped to prevent an interruption in the business of the Tuller Hotel in Detroit by making it habitable for permanent residents and 200 transients after a $1 million flash fire which gutted the lobby in January.

Guests were permitted to return to their rooms the afternoon after the fire, but the heavy odor of smoke would probably have driven them out, according to the management. In addition, further damage to the building and contents would have ensued from continuing odors.

Airkem specialists treated each of the hotel's 800 rooms, corridors, public, utility and storage rooms, elevators and shafts. Luggage, clothing and personal effects of guests were also treated. Vaporizing units were set up in the lobby to reach all charred areas. Until crews could reach guest rooms, small aersol cans of non-toxic chemicals, free of obnoxious odors, were supplied for each room.

Airkem also helped hotel employes in clean up operations. The firm supplied chemicals and combined detergent-counteractant-sanitizing products for wall washing and lavatory cleaning. The main lobby has not been reopened, but guests have remained in the hotel, using a rear entrance.

In accompanying picture, John V. Gray, Airkem's service manager at Detroit, is shown (center) with E. B. Bystrom, vice-president (left) and Rudolph Santer, marine manager, (right) of Robert M. Hill Co., adjusters.

Must Weed Out Marginal Producers Or Curtail Valuable Services, Clifton Says

The adage of the Chinese laundryman, "no tickee, no washee," has long been recognized by highly competitive fields of merchandising and is applicable to the insurance business. This was pointed out by Fred T. Clifton, executive vice-president of Marsh & McLennan-Cosgrove & Co., who discussed some of the sore spots confronting the business at Arizona Insurance Day at Tucson.

He said he had been shocked by a company analysis showing that 42% of its agents were producing less than 2% of the company's total volume. Although the slack producers were content that their business was nearly loss free, the company found that it cost $600 just to carry the agent on the books. Each agent would have to produce this amount before there was a single dollar of margin to pay any loss his policies might create.

The result of this is that the expense ratio is disproportionately increased, and unless the company weeds out these marginal producers, it must curtail services of genuine value, Mr. Clifton said. These agents, whom he labeled "parasites," siphon off substantial income which, if purchased through bona-fide producers, might have enabled them to perform a superior service to the public.

Will Determine Survival

"Once we have purged our ranks of the professionally unqualified producer, and have improved the educational standards of those remaining in the profession, the question of whether or not private enterprise in insurance is to survive, will hinge upon the degree to which we sell our proefssion to those in it, so that they may better sell it to the public," he declared.

Discussing inflation, Mr. Clifton said one problem it has visited upon insurance is the increased cost of doing business. The only solutions are maximum automation and minimizing paper work. Particularly worthwhile is encouragement of younger employes to make suggestions for improvement.

Inflation has had a financial impact on insurers. Underwriters have found resources depleted by depression of the bond market. "Never before have the insurance companies been in greater need of wise investment counsel," he said. Property and liability loss ratios have been inflated, and although property insurance for business is usually kept more in line with current values, nevertheless, inflation has hit the businessman in his reserve for dpreciation.

Jury Awards Are Inflationary

Another inflation problem is the ever-climbing trend of third-party judgments. One of the most alarming facets of this problem, he said, is the attitude of the legal profession. "When a well known insurance company tried to make the public cost conscious of this social problem by advertising pictures of the closed juryroom door, inscribed to the effect that 'your rates are being made inside,' certain attorneys attempted to have the company restrained."

Mr. Clifton cited the demand in

(CONTINUED ON PAGE 39)

Wis. Conditionally Approves Fire Rates

(CONTINUED FROM PAGE 1)

out of the matter, asserted himself when the new commissioner, Paul Rogan, came in.

Mr. Timbers went to the newspapers, charging, in effect, that the fire companies had practically pulled a fast deal. He produced his own set of figures as to what the fire rates ought to be, and on top of that took the position that there should be a minute underwriting profit allowance or none at all, with any profit to come from investment income.

Timbers Unmovable

Mr. Timbers was adamant, persistent and vociferous. The companies took the matter to court after Mr. Timbers insisted upon a 17% reduction and it was decided in the summer of 1956 that an interim rate filing would be accepted, this being about 11% off on fire with a small increase on EC, but without calling for impoundment of premiums or for refunds.

The case was then appealed by the bureau to the state supreme court, which held last year that the department had no authority to set rates, although it did have the right to review them. It further was held that the profit factor was not something the department could set arbitrarily. The bureau was instructed to file a complete new rate schedule within 60 days, and this filing was made in September of 1958.

For five months, the department (Mr. Timbers) has gone back and forth with the bureau on the latest filing, and at last there came an announcement from the department Feb. 9 that the latest schedule would be acceptable, with exceptions.

It is pointed out by W. L. Phelps, manager of Fire Insurance Rating Bureau, that the conditionally acceptable filing adds an approximate $450,000 reduction, and coupled with the reductions made in the compromise of 1956 results in a total annual saving to Wisconsin insured of $3,590,000.

Mr. Phelps also notes that the latest filing indicates that the bureau's contentions during the litigation with respect to trends in loss and expense experience have proved to be substantially correct. Since the court action started in 1956, loss experience for fire and EC has become increasingly unfavorable, and when combined with an increase in expense resulting from generally increased business costs, it is "extremely doubtful whether the low level of rates presently in effect in Wisconsin can be maintained should this trend continue."

The story the department fed to the newspapers explaining the final approval describes the acceptance of the 1955 filing by Mr. VandeZande as being "against the advice of department rating experts," and says the filing was represented as a reduction in the rates, but "the experts on the staff contended (it) actually was an increase."

Timbers Makes Uproar In Papers

Newspapers at that time gave considerable space to Mr. Timbers' statements. He made a great to-do over the EC rate increase, charging that the policyholders would wind up paying more money. Mr. Rogan was put in the position of almost having to call a hearing. He stepped into the department after having been administration floor leader of the Wisconsin senate, and, relying on his staff, agreed that the companies had not done the right thing and the rate increase approved by Mr. VandeZande was thrown out.

The department description of these proceedings goes on to relate how much money has been saved while the case was litigated and a decision reached.

The companies are now operating on a very thin rate level in Wisconsin, but one that apparently can be lived with for a while. The companies and the bureau did not back down on the profit factor principle and they did not knuckle under to Mr. Timbers on the issue of who makes the rates.

John X. Breslin Joins Metropolitan Of Chicago

John X. Breslin, formerly fidelity and surety manager at Chicago of Phoenix of London, has joined Metropolitan of Chicago as assistant to President John J. Fahrenbach. Mr. Breslin had been with Phoenix since 1950 and before that had been a special agent of Hartford Accident for many years.

New Pittsburgh A&H Assn. To Meet Feb. 18

Levi Bottens, acting director of LUTC, will address the first meeting of the newly organized Pittsburgh Assn. of A&H Underwriters Feb. 18. His talk will cover coordination of A&S with life sales and the impact of recent social security legislation on the A&S business. Election of officers will also be held.

Maynard To New Zealand

John Maynard has joined New Zealand as state agent at Portland. He has been with the Neal Atkinson agency of Vancouver, Wash With New Zealand he succeeds L. A. Wynkoop, who has gone with Oregon Automobile.

Pa. Insurers Form Information Bureau

Eighteen Pennsylvania insurers, including life and fire and casualty companies, mutual and stock, have formed Insurance Information Office of Pennsylvania, with headquarters at Philadelphia. The bureau will disseminate insurance information throughout the state through the press, radio, TV and direct mail. It will develop public service programs in health, safety and preservation of property. Membership in the bureau, which will engage in no legislative activity, is open to all domestic insurers.

Herbert P. Stellwagen, executive vice-president of North America, is chairman of the information bureau, and Addison Roberts, vice-president and treasurer of Reliance, is treasurer. The bureau will be managed by Ivan H. Peterman, newspaper man, who writes a syndicated column.

Charter members of IIOP are American Casualty, Calvert Fire, Fidelity Mutual Life, Germantown Fire, North America, Keystone, National Safety Mutual, Penn Mutual Life, Pennsylvania Lumbermens Mutual, Pennsylvania Manufacturers Assn. Casualty, Pennsylvania General, Provident Mutual Life, Quaker City Life, Reliance, Transportaton Mutual, Erie Exchange, Harleysville Mutual, and National Union.

Ft. Scott Insurers Back In Black

Western Casualty and its affiliate, Western Fire of Fort Scott, on a consolidated basis, showed an underwriting gain of $641,184 in 1958 which compares with an underwriting loss of $2,030,810 the year before.

The loss ratio was reduced seven points and the expense ratio declined, the combined figures being 95.7 against 103.7. Premiums written were $43,600,204, up from $39,323,221.

Investment income totaled $1,131,545, and net earnings amounted to $1,200,235, equal to $2.40 a share. Including the increase in the equity in unearned premiums, earnings for 1958 were equal to $4.55 a share, compared with $1.08 in 1957.

Surplus Dec. 31 was $13,830,711, a gain of $3,195,998. Consolidated assets totaled $62,317,136.

Rules On Liability To Spare Time Helper Under General And CPL In Same Insurer

Minnesota supreme court has reversed a district court which ruled that neither a general liability policy nor a comprehensive personal liability policy issued by Allied Mutual Casualty of Des Moines covered an injury to the father of an insured who was building a new residence in his spare time. The case, involving exclusion clauses in the two policies, is reported in 9 CCH (Fire & Casualty) 843.

Harry Askerud, the insured, and LaVerne Turvold, a close friend, had an oral agreement to combine their labor to construct a house on property which Askerud owned adjacent to his home near Austin, Minn. Both were employed full time by the George A. Hormel Co. in Austin. The construction was financed by insured and his wife by mortgaging the property. It was agreed that when the house was finished, Turvold would purchase it, providing he could obtain the necessary financing. He was to pay Askerud the value of the lot, all costs incurred in construction and a reasonable sum for Askerud's labor.

There was evidence to indicate that if Turvold could not obtain financing, Askerud planned to sell his own home and move into the new one. Apparently there was never any intention of selling the new home on the open market. Askerud and Turvold employed various help from time to time for wages, although they did most of the work themselves. Askerud purchased the two policies in question from an agent of Allied Mutual Casualty who had his desk in the office of the building and loan association which financed the construction.

Trial Court Finds For Insurer

On Oct. 22, 1955, Askerud's father was injured by the collapse of the scaffolding on which he was standing while assisting in shingling the roof of the new house.

After his injury, the insurer sought a declaration of its duties and liabilities, and the trial court concluded that the accident was not covered by either policy. The insurer was not obligated to defend the personal injury action.

On Askerud's appeal, the supreme court observed that the insurer denied liability on the grounds that construction of a dwelling did not fall within the hazards contemplated in the general liability policy. The court said that the agent was fully aware that Askerud was seeking liability coverage not upon the premises where he was living but upon the site where construction was taking place. The policy described the nature of insured's business as "building his own private residence." In the classification of the risk in the declarations, the premises and operations definitely referred to the construction of a detached private residence.

Intent Of Policy Defined

It could not be said, the court held, that the insurer was misled by insured or that the latter expanded operations on the premises beyond the extent contemplated when the policy was issued. It was the obvious intent of the policy to cover the premises where construction was taking place and insured believed that he was receiving complete coverage for liability on the project. The court observed that it would not interpret the policy in a way to forfeit rights which insured believed he was getting which were made doubtful through the failure of the insurer to use clear language.

The court noted that the insurer also contended that the policy was intended to insure against claims of the general public or guests who might be injured on the premises. Since the father of insured was an employe, he was not covered. However, the father's regular employment was that of a watchman at Minnesota State Hospital at Rochester. He merely helped his son out occasionally. The exclusion of

employes in the policy referred to persons employed to do specified work pursuant to a contract for hire. The court did not think it would be a reasonable construction of the policy to hold that where a member of the family of insured voluntarily and gratuitously assisted in work he would be considered in the employment of insured. Accordingly, the injury to insured's father was covered under the general liability policy.

CPL Also Applied

With regard to the comprehensive liability policy, the court noted that the insurer argued that it was not liable because the dwelling being constructed did not come within the definition of premises in the policy. The premises defined in the printed portion of the insurance agreements included the location where insured maintained his residence. However, the declarations contained this statement: "The principal residence premises are the only premises where the named insured or spouse maintains a residence, other than business property and farms, except as herein stated: Building private residence." The last three words were typed in the policy by the agent. This language obviously indicated an intent to cover the particular premises upon which the residence was being constructed.

The insurer further contended that the undertaking was a joint business venture for profit which was excluded. The court was of the opinion that the business contemplated by this provision was a type of activity in which persons regularly engage to earn a livelihood or for gain, such as a trade, profession or occupation. This criteria was not met by the spare time endeavors of insured in this case. The exclusion was meant for commercial enterprises.

Phoenix Appoints Two In London Office

Phoenix Assurance has appointed H. G. Hurren assistant general manager of the company at the head office in London to succeed J. L. Hodgetts, who retired because of ill health. J. H. Finlayson, former deputy manager of the overseas fire and accident department, has been appointed manager of the department, to succeed Mr. Hurren.

Trowbridge, McNamee Promoted By Allstate

Allstate has promoted William J. Trowbridge to product development manager of casualty lines and Roderick B. McNamee to commercial product development manager. Mr. Trowbridge, formerly auto lines products development manager, has been with Allstate 15 years. Mr. McNamee joined Allstate in 1957 after having been an executive in the fire division of Continental Casualty. He has been in fire insurance since 1937.

GAB Appoints Shillinger, Landt In Western N.Y.

General Adjustment Bureau has appointed Hannibal Landt manager at Buffalo succeeding R. V. Richmond, resigned. George P. Schillinger has been appointed manager at Niagara Falls replacing Mr. Landt.

Mr. Landt joined GAB in 1937 and served at Syracuse, Buffalo and Elmira, N.Y. He was appointed manager at Niagara Falls in 1947. Mr. Schillinger joined the bureau in 1947 at Niagara Falls and went to Buffalo in 1948 as senior fire adjuster.

Allstate Appoints Several

Allstate has appointed Charles D. Neilson operating division manager at St. Petersburg, and Sidney M. Cook Jr., underwriting manager at Houston. Three district sales manager appointments are: Thomas H. Kelly, Oliver E. Nunes and Leonard J. Szok, all of the Illinois regional office.

Chicago Fire Engineers To Meet

Wayne Swanson, chief of the Rockford, Ill., fire department, will address Chicago Society of Fire Protection Engineers at the Feb. 17 meeting. He will supplement his talk on fire protection in Europe with slides. The society will elect officers at the meeting.

The **Bolton agency** of Jacksonville, Fla., has moved into its own new two story building there. Donald A. Bolton, past chairman and present member of the casualty committee of National Assn. of Insurance Agents. Carey M. Brickell Jr. and Richard Hollahan operate the agency.

COMMENTS TRENDS OBSERVATIONS

Describes Multiple Line Growing Pains; Sees Rosy Future In View

One of the younger underwriters who has grown up in the multiple line era writes with regard to the past, present and his concept of the future of multiple line selling:

The multiple peril policy is here to stay. This is not an opinion, but a statement of fact. We can no more go back to the single policy covering the one cause of loss than we can give up the principle of the internal combustion engine because of a temporary malfunction. If the mixture is too thin or too rich, adjustment is made. The idea is not dropped.

Many writers have gone into the history of the multiple line concept of insurance and have treated the various aspects such as the heritage from the British plan of insuring against loss rather than against types of loss; the compartmentalization of insurance in this country; the Appleton rule; the SEUA decision; the committee of eight; the development of multiple line underwriting powers, etc. It would be pointless to cover the same ground, to rearrange what has already been made a part of the record.

Where Situation Stands

At present, multiple peril policies are in three stages of growth. These are all important now, but in the future the first two concepts will gradually be pushed into the background by the third. The third concept will hold forth for some time and then give way to a fourth concept, which to my knowledge has not made an appearance on the American market as yet. These concepts are:

1. Attachment of endorsements to the standard fire policy, such as the extended coverage endorsement, house holder's limited theft endorsement, comprehensive personal liability endorsement, building and contents special form, additional extended coverage endorsement, etc.;

2. The scheduled policy where the buyer chooses the particular peril that he wants to be covered for and pays accordingly. There is usually no premium advantage to this form of protection but there is the advantage of several forms of coverage under one contract. For instance, under the comprehensive dishonesty, disappearance and destruction policy, a mysterious loss of money is covered and it is purely academic whether the loss resulted from someone outside the firm stealing it or an employe dipping into the till.

These coverages, when written separately as a money and securities broad form policy, and a fidelity bond, might very well be placed in different companies by the agent. The bond might go to the lead bonding company in the office and the burglary policy to the casualty insurer to sweeten up a little class 2 auto risk. The same money loss then could cause a buck passing that would make the agent wish he had opened a hardware store. Also included in the schedule policy class are the automobile schedule policy covering direct perils and the liability hazard, and the casualty company's combination residence policy.

3. This is the concept of the single policy written for the indivisible pre-

(CONTINUED ON PAGE 34)

At London airport about to take off for dinner in Paris as guests of the French aviation insurer, Cie. d'Assurances Ariennes et Terrestres, are, from the left, Frazier S. Wilson, executive vice-president of Stewart, Smith (Ill.); G. H. T. Humphreys of Eagle Star; G. Pole of Stewart, Smith & Co., London; W. Corbett of Westminster Aviation Underwriters, London; Eric Outram of Stewart, Smith, London; R. H. Jennens, British Aviation Ins. Co.; C. F. R. Ward of London Lloyds; G. E. Willett, aviation underwriter of Orion Ins. Co., and H. Cooper of Stewart, Smith, London. The trip was made in a privately owned plane piloted by Charles Hughesdon, deputy chairman of Stewart, Smith & Co., Ltd. Other members of the party were R. Jeffs of Aviation & General Ins. Co. and P. G. Pratt of London Lloyds. About 75% of all French aviation business, including that of Air France, is reinsured in London.

Can't Blame Bureaus For All The Troubles

A company executive writes, anent the article on pages 16 and 17 of the Jan. 16 issue:

The author asserts that "the first filing of the mercantile block policy" is a perfect example of "bureau thinking"—evidently of the sort he decries. He went on to criticize the mercantile block policy upon a number of counts.

Mercantile block experience has been relatively very unprofitable. If it be assumed that the first mercantile block filing program was the product of "bureau thinking" then the responsibility for the unprofitable underwriting outcome thus far must be charged to that sort of thinking.

But homeowners was devised by independent non-bureau companies. This program cannot be attributed to "bureau thinking." Yet the experience has been relatively just about as bad as that of mercantile block coverages.

Both Lose Money

For the two years 1956 and 1957 the statutory underwriting result on the homeowners multi-peril was a loss of 31% of premiums earned. The result on commercial multi-peril was an underwriting loss of 33.4% of premiums earned.

Generally speaking, there cannot be much serious objection to letting critics in our business sound off when they are in the mood to do so. But no really beneficial results can be expected from criticism which merely imputes the ills in the business to something called "bureau thinking." Maybe the author of the article in the Jan. 16 issue would favor us with a supplement. It would be nice if, in a second instalment, he would blueprint courses of actions which might enable the stock insurers, non-bureau and bureau, to deal effectively with the two bears they now have by the tails, homeowners and commercial multi-peril policies.

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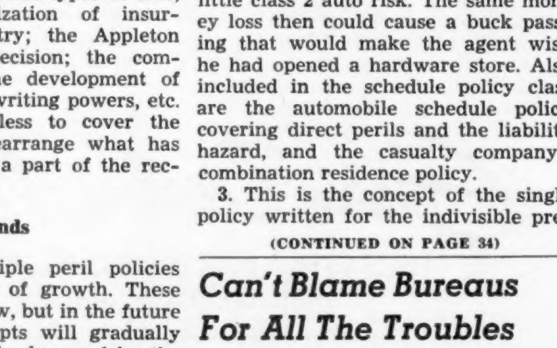
Hanover and Fulton have elected F. J. Andre a director. He is chairman of Congoleum-Nairn Inc.

Mrs. F. R. Norton, Mr. Norton and B. J. Daenzer, left to right, at a tea in London for overseas members of Chartered Insurance Institute. Mr. Norton is president of Guardian Assurance of London and of the institute. Mr. Daenzer is president of Wohlreich & Anderson, New York.



Sees No Reason For Flat Cancellations

Paul Berry, Muskogee, Okla., agent, writes:

All of the surveys and articles about flat cancellations are fine. However, if the companies want to eliminate them, why don't they just mail a form letter to their agents? It could say, "Effective Feb. 28, 1959, XYZ Ins. Co. will no longer accept a flat cancellation. If a policy is mailed to the inspection bureau one day after the inception date, the short rate or pro rata premium must be charged. Exceptions: Spoiled policies and policies rewritten in the same company, and those returned before inception date."

Why Not Flat Cancellation?

If a company has the authority to refuse a bad class of auto business, a poor class of dwelling business, beer halls, etc., why hasn't it the right to refuse to accept a flat cancellation?

This should create a healthy condition for the entire industry. It will force the agent to become acquainted with many customers. If the agent is in doubt about the renewal, at least he will have to write insured a letter asking permission to renew. For an agent who has never tried this, he might be surprised how many people will phone him and ask for the policy to be increased when it is renewed.

The agent who dumps his renewals

in the mail without making any contact with customers will get what he deserves.

We constantly make personal calls on our customers. However, we don't make personal calls to deliver renewals. We did this for a period, but too many people stalled us off. "Call on me again before the policy expires," was a frequent reply to the call before renewal. Now we reach a different group of customers every week. If we can't see every insured personally each year, we make sure each has a personal letter several times each year. This is a lot of work. But when we mail out our renewals we are fairly certain they won't be returned.

Would Have To Bill Customer

If flat cancellations are eliminated, the agents (including me) will have to bill the customer if a policy is returned late or pay for it ourselves.

It's too bad that so many companies are afraid of their agents. When a bad situation such as this develops, the companies should take quick, positive actions instead of crying. This crying has caused the industry as a whole to lose a lot of its self respect.

Urges Selling Of Products Liability

In these days of unsatisfactory underwriting results in many major fire and casualty lines, agents would do well to turn their attention to the profitable line of products liability, William H. Brewster, special public relations assistant to the general manager of National Bureau of Casualty Underwriters, declared. He spoke at a meeting of Nassau County (N.Y.) Assn. of Insurance Agents at Levittown.

Mr. Brewster said that products liability commences after goods or products have been sold or a service completed. Other forms of public liability insurance stop at that point. Thus, there is no overlap but rather a logical dovetailing of coverages with no gap in protection. In the light of present high court verdicts, without products liability the entire business of a manufacturer, dealer or contractor is in jeopardy. The old law of "let the buyer beware" has evolved into "let the seller beware." Thus the law as it stands today is compatible with the law of negligence as applied to all other activities.

Gives Typical Examples

He cited several cases which have broken down the old doctrine of privity between parties to a contract. In one case, a young lady brought suit against the Waldorf-Astoria Hotel. While she and a friend were waiting for their meal after ordering it, she bit into a roll and broke a tooth on an imbedded piece of glass. She charged the hotel with a breach of an implied warranty that the food it served was fit for human consumption. The hotel stood solely on a point of law, contending that there was no privity of contract with the young lady, since her friend was paying the check.

She might have sued for negligence, but she would have had to offset proof of precautions that the hotel takes to insure the purity of its food. No such defense can be used in a breach of warranty action. The judge ruled that an implied contract was formed when the women placed their orders. The matter of who pays the check did not alter the obligations of either party.

Another Case Cited

In Queens county (N.Y.) the protective wall of privity of contract was further cracked, Mr. Brewster noted. Theodore A. Bardy, an attorney, was handling a negligence case in municipal court there. His client, Domenico Lardaro, had stopped two years before at a cigar store to buy a wrapped candy bar. He bit into the bar and onto a piece of wire that damaged his bridgework. Mr. Bardy had already prepared a negligence case against the Planters Nut & Chocolate Co., the manufacturer of the bar. But when he read about the Waldorf case, he moved that the judge permit him to change his cause of action to breach of warranty. The judge not only granted the motion, but in charging the jury, he made it clear that he felt manufacturers had brought themselves into direct relationship with the ultimate purchaser or consumer, especially in these days of brand names and wide advertising. The jury found the manufacturer guilty of a breach of warranty.

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Lehnhard-Burgess, Miami adjusters, has opened a branch at 413 Broward Boulevard, Fort Lauderdale, under direction of A. E. Brechtel.

Research Expert Is Answered By Agent

Tom Bartlett, agent of North Baltimore, O., has replied to questions raised by Dr. Virginia Miles, vice-president of Market Planning Corp., research division of McCann-Erickson. New York advertising agency, in her talk on motivation research at the midyear meeting of Insurance Advertising Conference in New York.

Dr. Miles had asked to what extent customers select a particular company rather than an agent or a price when they buy insurance. Mr. Bartlett maintains that there isn't much reason for a consumer to select a company because many companies have not advertised for years and have not created images of themselves. There is no ideal company, and most of the time the reputation of the company depends upon that of the agent.

Dr. Miles questioned the value of fast claim service as an advertising theme and pointed out that most people have not had the experience of making a fire or casualty claim. Mr. Bartlett agrees that fast claim service doesn't mean a lot, but it cannot be slow. It must be fair, efficient and honest at all times. It is part of the image building process on all phases of the business.

Cites Agents' Activity

Mr. Bartlett commented at length on Dr. Miles' questions concerning agents. He said that they have influence over the customer's choice of a company, especially when they have been in business long enough to establish confidence in the agency. Agents recommend one company over another many times because of the services it performs for him. Personality of the field man, coverages offered by the company, and other factors are involved.

With regard to customer-agent relations, Mr. Bartlett said that his insured are his friends. They pay him and he does everything possible for them. He keeps an up to date mailing list and sends them his agency magazine one month and his condensed news sheet the next. He is interested in keeping insured on the books. Insured consider themselves customers of the agent and many never know in what company their coverage is placed. They depend on the honesty of the agent. Customers have no contact with the company except at time of loss and then only with the adjuster.

Dr. Miles had asked if the agency system is the best possible way to sell insurance. Mr. Bartlett said that the one known as the American agency system was certainly one of the best. Others are quite similar except that they have paid salesmen. But a few are using a dual system now for their own salesmen and their company in an agency. Agency system companies and their producers need closer co-operation. Companies should maintain some control over agency operations and develop better agents.

Practical Improvements Noted

Companies are making it easier for customers to buy, in Mr. Bartlett's view. They have developed payment plans, and the advertising issued by companies helps tell the story of coverage. Small print in policies does not bother either insured or agent. Most policies are standard, and if there is a "gadget" in them, insured will know about it. Mr. Bartlett has folders explaining the technicalities because he subscribes to FC&S Bulletins and Rough Notes visual selling pieces.

$43 Million Paid In N. J. In Statutory Disability

New Jersey workers who became sick or disabled were paid approximately $43,600,000 in disability insurance benefits last year, according to the state division of employment security. Payments made by this division on claims filed under the state plan amounted to $9,973,504, while $1,638,346 was paid to workers who became sick while unemployed, making a combined total of $11,611,850. It is estimated that payments made under the 16,000 private plans providing disability insurance instead of the state plan will equal $32 million.

New V-P Of K.C. CPCUs

Lindsay Fisher of Employers Re has been elected vice-president of the Kansas City chapter of CPCU, replacing James Stodolka, who has been appointed manager at Denver of Anchor Casualty. George P. Hoenk, Ohio Casualty, has been elected to the board to replace Mr. Fisher.

The West Virginia department has published "Insurance Agents Reference Manual," a 146 page book, its first publication. The book covers all types of insurance and is designed for agents and those planning to be agents. The book is available at $3 from the department in Charleston.

Harleysville Mutual has elected E. Wayne Covert vice-president in charge of claims, succeeding John G. Karst, retired.

Jones Is President Of Bankers F. & M.

Perry R. Jones has been elected president of Bankers Fire & Marine of Birmingham. He succeeds Marion A. Woodbury, who resigned to become vice-president of Reinsurance Corp. of New York.

Mr. Jones, who has been with Bankers F.&M. for several years as vice-president, was also elected a director.

Fazio To Albany, Stacey To West Coast For Boston

Boston has promoted Joseph E. Fazio from special agent in Connecticut to state agent at Albany. He joined the company at New Haven in 1955 as a multiple line special agent.

George Stacey, former special agent at Lansing, has been appointed special agent at Los Angeles. He joined Boston in 1955 at Lansing.

Seek Non-Can Auto In Pa.

A bill has been introduced in Pennsylvania providing that automobile liability and collision policies contain non-cancellable provisions if fully paid. The measure would also require automatic renewal on payment of premium unless notice with cause for refusal to renew was sent to insured at least 30 days prior to expiration.

J. Donald Prince has joined Insurance Buyers' Council, insurance consultants of Baltimore and Harwich Port, Mass. He had previously been safety engineer and insurance manager of Hecht Co. for five years. Prior to that he had been safety engineer of Liberty Mutual.

Harvey Ad Director Of Employers Liability

Employers Liability has appointed John C. Harvey director of advertising. He joined the group in 1946. As employe publications manager, he was editor of the internal house organ, the Owl. He has been acting advertising manager since 1958.

D. C. Agents Hold Panel To Discuss NACCA UJF Bill

District of Columbia Assn. of Insurance Agents sponsored an all-industry panel to debate the merits of a bill introduced in Congress to establish an unsatisfied judgment fund there. The bill is sponsored by National Assn. of Compensation Claimants Attorneys. Members of the panel, moderated by Carl A. Anderson, vice-president of the agents' association, were Joseph P. Murphy, financial responsibility officer of D. C.; Harry Wender, chairman, legislative committee, NACCA; Wallace M. Smith, Washington representative, American Mutual Insurance Alliance, and Howard Starling, Washington representative Assn. of Casualty & Surety companies.

Cravens, Dargan Changes

Cravens, Dargan & Co. has transferred Hugh Wilson, multiple line special agent at Corpus Christi, to the Houston office as an underwriter in the marine and Lloyds department. Clarke Hudson, field man at McAllen, will replace Mr. Wilson at Corpus Christi, and Richard Clay will go to McAllen.

Max Schuebel, multiple line special agent at Amarillo, has been assigned to a similar post at Houston. Wade Ingram has been transferred from Houston to Lubbock as technical representative.

Seek Mandatory UM In Me.

A bill requiring an uninsured motorist's clause in all automobile liability policies has been introduced in the Maine senate. It is one of three measures suggested by a legislative research committee. Another bill favoring compulsory and a third recommending an unsatisfied judgment fund have not been introduced.

AFIA Names Black Chairman, Crafts And Hatch Vice-Chairmen

American Foreign Insurance Assn. has elected Kenneth E. Black, Home, chairman. Mr. Black succeeds John A. North, Phoenix of Hartford. James F. Crafts, Fireman's Fund, and Kenneth B. Hatch, Reliance, were elected vice-chairmen.

Emily C. Coates, head librarian of Travelers, has retired after more than 40 years with the company.

Explore Rising Medical Malpractice Claims

(CONTINUED FROM PAGE 1)

some money by way of a malpractice suit.

The doctor may be the comparatively innocent victim of resentments acquired by patients as the result of their experiences in hospitals, Mr. Snure commented. Specialization by doctors presents the malpractice insurer with a separate problem. The top man may be more vulnerable to a huge jury award than a general practitioner, because the jury is composed of members of the public, and the public imposes on the top specialist a standard approaching perfection. The eminent physician is not expected to make any mistakes—and yet there is bound to be a margin of human error. Also, equally qualified specialists may have differing medical opinions, both considered valid, and the existence of such differences may give rise to malpractice claims.

Always Are Genuine Cases

There will always be cases of patients who have suffered genuine injury through malpractice on the part of the doctor and are entitled to adequate compensation. It is the business of Employers Mutual to evaluate and settle such claims as quickly and fairly as it knows how, he said. When settlement is impossible because of honest differences of opinion as to liability or amount due, the insurer wants such cases passed on by judge and jury in accord with American tradition, with every plaintiff's rights as well as every defendant's rights carefully preserved.

But the legal profession itself has an obligation to the public to exercise some restraint when it comes to stimulating and filing unwarranted and speculative claims and suits in which the damages recited are out of all proportion to the actual injuries, he asserted. Within the last couple of years one attorney has started five lawsuits in each of which he demanded $1 million or more. Several of these actions have received newspaper publicity. The increase in the number and size of such actions is a threat to a very much needed and worthwhile program.

The ever growing menace of the malpractice suit for boxcar figures is actually having some adverse effect on the quality of medical care, Mr. Snure declared. A California lawsuit threw many areas of the medical profession into something approaching panic a few years ago. It involved the use of an aortograph for diagnostic purposes, a procedure relatively new at that time. The judge charged the jury that this case came within the doctrine of res ipsa loquitur, thereby in effect placing the burden on the doctor to prove himself free from negligence. A verdict of $250,000 was entered against him. At the medicolegal symposium of American Medical Assn. in New York in 1955 it was reported that the doctor involved in this case had, because of this decision, contemplated resigning from the practice of medicine altogether. He felt that he could not properly practice his specialty without the diagnostic aid of aortography, which aid the court's decision had, in effect, taken from him. One doctor has observed that "malpractice litigation is now considered by the medical profession as an occupational hazard so great as even to affect current medical school enrollment."

There are many similar cases which have not been reversed and which illustrate that a new technique that may be considered malpractice today will be accepted procedure tomorrow. However, until these procedures become accepted, the medical profession must run the risk of malpractice suits, with the consequent adverse effect on the advancement of medical science.

If the problem continues to worsen, Mr. Snure suggested, the time may come when no insurer will be able to provide the coverage needed by the doctor for a premium within his means to pay. No one wants to see this happen, doctors, insurance men, or, particularly, lawyers. The three have mutual problems that perhaps through closer cooperation and discussions around the conference table can be, to a great extent, resolved.

Doctor Faces Dilemma

The doctor's dilemma, Dr. Jacobi said, is how far to go in the interest of his own protection against malpractice claims and how far in the interest of patient care—in view of the rapid development in recent years of medicines and treatments. He said much of the malpractice problem has developed because of the evolution in diagnostic and therapeutic procedures.

It has been suggested, he added, that some doctors have become too complacent and feel too safe; and that they should revert to a greater emphasis on clinical procedure (testing the well being and non-well being of the patient) instead of on excessive laboratory techniques.

Mr. Capecelatro, who is a noted

malpractice attorney, emphasized the care with which such cases must be judged by the attorney before he proceeds with claim and suit. An unfounded action is unadmirable, he said. He follows the practice of telling the defense the facts he has accumulated long before trial in order to get a double check on them.

However, he added, no soundly based malpractice suit, whatever its cost to the defending doctor, ever hurt the medical profession. On the contrary, such suits exert an indirect discipline on the profession.

93% Have Coverage

American Medical Assn.'s study of medical professional liability shows that 93% of the physicians in the U. S. have some professional liability insurance, Mr. McAuliffe said. Many of the policies are quite similar, as a number of the companies use the policy form adopted by National Bureau of Casualty Underwriters. But the interpretation of coverage offered by the same, or similar, policies varies considerably from company to company. To obtain the opinion of insurers on whether certain injuries were covered, A.M.A. sent a questionnaire to many insurers and has received a good percentage of responses. It now is evaluating these answers.

Case 1 presented to insurers involved these facts: Dr. Howard was away for a Christmas vacation and left his employe, Dr. Snyder, in charge. While attending a Christmas party, Dr. Snyder, who had had four or five drinks, was called to perform an emergency appendectomy. He realized that he was, to a minor degree, affected by the alcohol he had consumed, but because there was no other physician immediately available to take care of the emergency, he felt that he had no alternative but to go ahead with the operation. The operative result was bad, and Dr. Howard was sued for the alleged malpractice of his employe.

Effect Of Alcohol, Narcotics

Medical professional liability insurance policies generally will not cover a doctor for injuries he causes while under the influence of an intoxicant or narcotic.

A preliminary tabulation of the responses indicates that most insurers would defend Dr. Howard and would pay any judgment awarded against him.

Case 2: Dr. Innes, while performing an operative procedure, accidentally permitted an instrument to slip, thereby causing a severe injury to his physican assistant. Is this type of claim covered by medical professional liability insurance? Most companies indicated they would defend and pay.

Case 3: Dr. Lawrence, who gave Mr. Smith a pre-employment physical examination, reported to the prospective employer that Mr. Smith was afflicted with syphilis. Mr. Smith was rejected for employment. Because of a mistake which occurred in the laboratory, Dr. Lawrence's report that Mr. Smith had syphilis was in error. Mr. Smith sued Dr. Lawrence, charging, among other things, libel.

Some insurers indicated they would neither defend nor pay, and others that they would defend and pay. Many insurers asked if Dr. Lawrence was practicing medicine when he gave this information to the employer.

Case 4: Members of the medical staff at Central Hospital determine the admission or expulsion of physicians from the medical staff. Only members of the medical staff are entitled to hospital privileges. Dr. Mason was asked to investigate the surgery performed by Dr. Nixon. Dr. Mason's report stated that Dr. Nixon was incompetent and had performed unnecessary surgery. On the basis of this report, Dr. Nixon was expelled from the medical staff. He sued Dr. Mason, charging libel, etc.

Insurers Evenly Divided

Insurers responding to this question were about evenly divided on their liability to defend Dr. Mason and to pay any judgment. Two companies said that they would defend but would not pay a judgment.

Should not the medical profession be encouraged to discipline itself? Should physicians who take part in such a program not be entitled to insurance for any liability that results from such activities, Mr. McAuliffe asked.

A.M.A.'s purpose in studying medical professional liability policies is to help the doctor understand that such policies are not all risk insurance, he said.

Physicians of this country are concerned with the problem of professional liability. A.M.A.'s law division is trying to develop as many of the facts as possible, in order to develop effective medical professional liability education and prevention programs.

Among other activities of his division, Mr. McAuliffe said, is a survey of all appellate cases involving medical professional liability 1935 through 1955—about 1,000 cases; a booklet containing medico-legal forms and an analysis of them has been published; a survey of state statutes of limitation; a survey was made of the state regulation of professional liability rates; statistical material has been obtained from insurers; a questionnaire covering inter-professional relations, medical professional liability, and expert medical testimony, sent to 8,554 attorneys in the U.S.; and an analysis of professional liability policies written in the U.S.

Hospital-A.M.A. Film

Next month a film produced jointly by A.M.A. and American Hospital Assn. will be released. This deals with in-hospital liability.

Mr. McAuliffe discussed several recent developments which he believes are of importance.

One is the decision in Ferrara vs Galluchio which will not only affect medical professional liability but all personal injury actions. The decision affirmed recovery of $15,000 against physicians specializing in x-ray therapy, for a cancerophobia which the plaintiff developed subsequent to her treatment by the physicians.

California Medical Assn. recently has embarked on a program to make medical witnesses available to attorneys with medical professional liability cases.

The question of the tort liability of charitable hospitals has been controversial, he said. There is a definite trend toward holding charitable hospitals liable for the torts of employes and agents.

Also, he said, defense funds, used to assist physicians in defending medical professional liability suits, are being given up. Few such funds are active today.

Describes Multiple Line Growing Pains

(CONTINUED FROM PAGE 28)

mium. There is no option to insured as to perils he will be insured against. This type of form can be on a named peril basis such as the homeowners A and B or the industrial property form 100 or 200. Or, it can be the all risks approach as used in the personal property floater, homeowners C, the commercial property form and the comprehensive personal liability policy. The comprehensive automobile and general liability policy might be included in this concept with the exception that there is some option as to liability hazards covered, and the premium is based on audit of exposure. In other words, the coverage is there but insured need not pay for it unless his operations develop the appropriate exposure.

This latter concept attempts to fulfill the whole purpose of the business, the protection of insured against loss, not the number of policies the business can sell him. It is cheaper from a policy writing standpoint, there is less chance for duplication of coverage or for gaps in the program, the insurer gets a better spread of risk due to the elimination of most of the selection against the company in hazards such as water damage and burglary coverage. Also, the agent has less of a problem in placing the business with a company than he would have with each policy a separate peril and a separate underwriter.

It is my opinion that in 10 to 15 years, 90% of the fire and casualty business written in this country will be on a package or all-risks basis.

4. The next concept will be that of combining all types of protection under one program, one policy, one sales representative, one bill, one company.

In the personal lines market, the policy will include the direct damage loss possibilities as respects the customers real and personal property, the liability hazard due to the ownership and use of property, and the actions of the members of the household and guests, the savings and endowment program of the children who are planning to go to college in the future, the life insurance on the head of the household, and a mortgage payment provision that would not only pay off the mortgage in the event of death but would take care of the monthly payment in the event of disability. This latter provision would be merely a bookkeeping entry as the insurer would probably be the mortgagee.

Commercial Line Handling

The commercial and industrial field would be handled in a way that would allow one contract, administered by a full time insurance counselor dealing with one insured, or as many as eight or nine, depending on size, to cover the direct damage perils, the contingency aspect, the extra expense and business interruption, the liability exposure, the workman's compensation, the group accident and life program and the key man death benefit protection.

The insurance counselor referred to will be a full time paid representative of a general agency handling the business. He will negotiate with an underwriter in the head office of the insurer. This underwriter will have the authority to underwrite all exposures and the absolute responsibility that goes with such authority. The various accounts will not be pawed over by underpaid clerks who know a little about the business and who are not presently being encouraged by management to know any more. Due to this, and the simplification of accounting by the one premium per insured method and the advance of electronics in the business, the number of persons employed by an insurer writing $200 million in annual premiums should not exceed two hundred, or a basis of one million per employe.

High Type Underwriters

Trainees for the newly respected position of underwriter will work directly with the underwriter on all phases of the underwriting procedure. These men will probably be graduate accountants or lawyers. The underwriter will have the authority; no partial authority will be given the trainee as to direct underwriting of a risk. There will not be any juniors underwriting lines up to protected brick dwellings $25,000, unprotected frame dwellings $5,000, etc.

The underwriter will assist and direct the activities of managing general agents. There will be no company field force as such. The insurance counsellor of the future might best be described as about 35 to 40, with one company since college and an underwriter about five years. He will receive a salary of about $25,000 a year.

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The **Indiana senate** by a 41-0 vote passed a bill amending the contributory negligence law to place the burden of proof of contributory negligence on the defense. The bill goes to the house for consideration.

Mass. Study Shows Compulsory Auto To Be As Advertised

(CONTINUED FROM PAGE 2)

automobile insurers insist that they are inadequate.

The inquiries the commission was directed to make were many. They covered not only the operation of compulsory but also criticisms of it and suggested changes in it. These items included making PDL compulsory, which it is not presently; and the feasibility of flat rates, cut rates, and surcharges on assigned risks. Massachusetts alone does not have such surcharges. In addition, the commission studied the idea of an unsatisfied judgment fund, the possibility of insuring the driver instead of the car, use of a deductible on BI, adoption of a compensation system of compulsory auto BI payments without fault, and the possibility of permitting uninsured motorists' cover, now prohibited.

The commission even glanced in the direction of Sen. O'Mahoney and his inquiry into how well state regulation of insurance is working. Here the commission asserted that Massachusetts has the strongest possible regulation, especially in the casualty field. The commission favors such regulation.

It is for this reason, the report states, that the commission voted against a system of cut rates on compulsory auto. By implication calling attention to Sen. O'Mahoney's emphasis on prices as a key element in competition, the commission said a cut rate system would produce a "runaway type of operation" in automobile insurance. This, it declared, "would provide the dramatic touch needed to encourage federal regulation of insurance rates and federal control over all phases of the insurance industry."

After exploring all of the supposed reasons for high compulsory rates, the commission concluded:

Predicts Continued Rise

"Automobile insurance rates will continue to soar in Massachusetts until an aroused public, the legislature, and enforcement agencies unite in a crusade to reduce highway deaths and injuries." Stop talking about highway safety and do something about it, the commission adjured. It then recommended a lot more police, mandatory suspension of licenses for speeding convictions, no-fix traffic enforcement, driver reexamination, and stricter teen-age licensing.

The commission based its conclusion that compulsory rates are more than fair to the public on a number of findings. Compulsory claims in the state increased from 62,500 in 1950 to 90,417 in 1957, or 44%. The number of private passenger cars under compulsory increased in the same period by 39.7%. The average cost of compulsory on private passenger cars increased 45.9%, hospital costs increased 64.3%, and average weekly earnings (excluding construction and mining) 40.6%.

Lowest Expense In The U. S.

Also, Massachusetts compulsory rates have the lowest provision for expenses in the country, 32.5% compared with approximately 50% for auto BI in other states. This is principally due to the low commission, 12%. Elsewhere it runs up to 25%. There is no provision for insurer profit, whereas many other states have a 5% factor for profit and contingencies.

Claim frequency in Massachusetts far exceeds that of any other state, according to the report.

Rates are not only fair, they are overly fair because they have been inadequate for years. The only unfairness the commission found is in the general public's subsidy of the accident claim bill of drivers under 25. The claim costs of under-25 drivers is 153% higher than those for class 1 owners, but for many years the young driver rates have remained at 55% above class 1. Thus 73.7% of the car owners, class 1, are subsidizing 12.2% of the motorists, class 2.

The commission favors the retention of the age and use classification plan of rating for compulsory. It recommended further studies by the department and insurers to develop experience data which may justify the establishment of additional classifications to make the system more equitable to the companies and the public.

In only two years of the decade ending with 1956 did the insurers more than break even on compulsory, in 1953 and 1954. Over those 10 years the actual insurer cost per car exceeded the premium per car by $2.79, for a total deficit of $28,270,056.

The charge had been made, and the commission investigated it, that insurers made a profit on non-compulsory lines. But the commission found this not to be the case. "The losses of companies writing compulsory were neither borne by other lines of Massachusetts automobile insurance nor offset by profits from other Massachusetts auto insurance," the report declared.

"In addition to the natural claim consciousness which flourishes under compulsory insurance," the commission states in its report, "there also has been a tendency to file a personal injury claim, regardless of liability for the accident, obviously on the misguided theory that anyone sustaining injury is automatically entitled to indemnification."

What about fraudulent and exaggerated claims? These "have been substantial in number and consequently have exerted considerable influence in the rising cost of compulsory insurance," the commission reported. They are so bad that the registrar of motor vehicles has recommended that claimants be required to file an affidavit with his division and be subject to the penalties of perjury. The commission made this recommendation also.

The commission found that companies are making every effort to resist

such claims. But it must be assumed, the report conceded, that many of these claims are being paid without full justification.

Pursuing the question of rate fairness, the commission noted that from 1955 to 1957 the average claim cost of automobile BI rose 20.9% in Massachusetts, from $445 to $538. (Comparable figures for some other states with big increases were 33.9% in New Mexico, from $534 to $715; 23.9% in Rhode Island, from $493 to $611; and 27.9% in West Virginia, from $587 to $751. In the same period these costs rose 7.9% in New York, from $732 to $790.) The dollar amount is lowest in Massachusetts, but the rise is the fourth highest in the country—and 11 of 44 states showed reductions in those years, the report observed.

Effect Of Big Jury Verdicts

Though less than 2% of Massachusetts compulsory claims end up in court, "the level of jury verdicts automatically serves as the standard yardstick in the settlement of the other 98% of accident claims which are disposed out of court." However, the commission concluded that "the jury verdicts and their influence on BI insurance costs is not nearly the disturbing problem in Massachusetts it has proved to be in other major states."

Because of the public tendency to overlook the fact that the primary function of Massachusetts Automobile Rating & Accident Prevention Bureau is not rating but the gathering of statistics on which the commissioner makes the rates, the commission recommended a change in name—to Massachusetts Automobile Statistical & Accident Prevention Bureau.

The report terms entirely erroneous the charge that the bureau, maintained by insurers, deliberately misrepresents and otherwise juggles figures on claim experience to get higher rates. To meet this charge, it had been suggested that the state maintain its own statistical agency and thus eliminate any suspicion. The commission voted against this proposal because of the needless addition to state costs. Instead, it strongly recommended that the insurance commissioner accept the offer of the bureau to house a representative of the department as a full time observer of statistic-gathering activities of the bureau. This would dispel any idea the bureau is handling statistics in a manner detrimental to the public interest.

Does the division of claim expense between BI (compulsory) and PDL non-compulsory) penalize compulsory? The evidence does not support this charge against the insurers. However, the commission recommended that allocated and unallocated claim expense be removed from the expense portion of the rates and assigned to the loss portion where it logically belongs.

Claims Are Not Overvalued

Though the criticism had been voiced, the commission found that insurers do not overvalue claim reserves, with the effect of increasing rates. There was no marked overstatement or under-statement of incurred losses in 10 years of experience closely studied by the commission.

What about investment profits on these reserves? The commission said that because of claim payments and expenses the company must maintain the major portion of compulsory premiums in cash balances. Also, in most of the years since 1927, and especially in the last 10 years, the companies have not been in a position to invest any compulsory premiums because claim costs have exceeded amounts produced by the rates.

A flat rate would produce underwriting chaos, the commission stated. It would violate basic insurance principles and would eliminate all rate incentive to drive carefully. "All things being equal the Boston man is unlucky to have so many neighbors who are accident-prone; while the Williamstown man can count his financial blessings in having so many neighbors accident-free."

The study found the insurance commissioner seriously questioning whether amending the law to permit rate deviations on compulsory would produce the objectives sought. Insurers would not rush to Massachusetts to write compulsory at cut rates. Specialty companies have geared their sales methods to expenses much lower than those reflecting a 25% commission. This would be impossible in Massachusetts since the commission there already is down to 12%.

However, assuming that deviations were permitted, the specialty companies would take the cream of the business. The remaining companies would have to write the less attractive risks at higher, but inadequate rates. Thus rates would go up for the overwhelming majority of motorists.

The commission believes it politically impracticable to surcharge 50,000 auto assigned risks in the state. It noted that presently if an insurer voluntarily writes a new compulsory risk it gets a one credit on assigned risks. This procedure was adopted to encourage the regular writing of business.

Make PDL Compulsory?

The commission recommended not making property damage compulsory until there is time to assess the results in New York and North Carolina, where PDL is compulsory along with BI. The study called attention to the fact that more than 90% of Massachusetts motorists carry PDL coverage, 96.5% buy extra-territorial (out-of-state) BI, and 94% have guest coverage. There has been no public demand to make these covers compulsory. To do so would increase the cost of compulsory and add to the public resentment against its cost. Motorists are buying the coverages voluntarily, but they would "explode in resentment" if they were forced to do so, according to the commission. Anyway, the motor vehicle registrar presently is required to suspend the driver's license if the motorist doesn't pay a PDL judgment.

The commission concluded that a UJF was not necessary in that state because the uninsured motorist problem is of slight significance. However, it recommended consideration of permitting insurers to write uninsured motorists' cover voluntarily.

In view of the "volatile attitude" of the public in Massachusetts toward any sort of increase in compulsory rates, the commission made no recommendation on increasing the present 5/10 limits. The advocates of higher

limits should tell the public that they will cost more, the report tartly commented. An increase to 10/20 would cost the private passenger car owner 20% more, trucks 25%, taxis 30%, and buses 46%. Anyway, 54% of all private passenger car owners bought excess limits in 1957 of from 10/20 to 100/300. Of all compulsory insured, 12% bought 10/20, 7.7% bought 15/30, 15.1% bought 20/40, 5.9% bought 25/50, 6% bought 50/100, .6% bought 100/200, 1.6% bought 100/300, and 1.6% bought other limit combinations than these.

Insuring The Driver? No

Insuring the driver instead of the car would pose so many administrative and legal problems—the idea is so revolutionary in concept and practice—it should be made the basis of an entirely separate study, the commission asserted. There were 2,113,000 drivers and 1,500,000 registered vehicles in 1957. To spread the 1957 compulsory cost over 613,000 more persons would have reduced 1957 compulsory rates 29%. But what would be the reaction? The expense would be increased by the additional processing of applications, writing of policies and billing. Most families have one car but several members drive it. Insuring the driver would increase the cost per family. In 1915 driver insurance was sold in the state. This was found unworkable and in 1920 was abandoned. Presently a policeman can tell if the car has insurance if it has plates. But how could he tell if the driver were insured?

Would Reduce Individual Claims

A compensation system of paying auto BI claims regardless of fault would drive up rates and reduce the amount of individual claims considerably. This proposal should not be advanced beyond the discussion stage at this time, the commission concluded.

A deductible of $50 or $100 has been suggested for compulsory. It is not practical, the commission said. Few motorists now will admit they were at fault. None would do so if it were going to cost him $50 or $100. It would be very expensive, if not impossible, for insurers to collect the deductible. Claims would increase on cross actions.

The commission can see no advantage in transferring the assigned risk plan to the insurance department.

It favors retention of the Dec. 31 common expiration date for both vehicle registrations and compulsory coverage. Non-common expiration would increase the number of nonregistered and uninsured cars, with which Massachusetts presently has no problem. (In New York, where one of the two major improvements claimed by New Yorkers for their compulsory law was the non-common expiration, the state is having a great deal of difficulty keeping registrations and insurance properly watched.)

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Washington Buyers Organize

Harold E. Roslund, New England Fish Co., is president of the newly organized Washington chapter of American Society of Insurance Management. Donald Rader is vice-president, E. B. Paris is secretary and Robert Knight is treasurer.

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A bill has been introduced in **Oregon** to require inclusion of uninsured motorist coverage in all auto BI policies. It is supported by the agents as a countermeasure to compulsory auto insurance.

Cites Obligation Of Insured Under Fire Contract

(CONTINUED FROM PAGE 12)

executed and maintained on a factual basis, it will meet the requirements, and with no evidence to discredit it, will produce a prompt and equitable settlement.

Maintenance of such records is increasingly difficult in the present inflationary period, Mr. Young observed. They rapidly become dated. To keep pace with changing conditions, the use of trends has become more widespread. If they are properly prepared they are practical, but extreme caution should be exercised in the use of most published trends. Unless they are specifically determined and applied to a clarified base, the results can contain errors that make them useless. Where they are properly prepared, they can aid the periodical procedure of revising values.

Coinsurance participation in loss settlements is astounding, he went on. This is due in part to improperly prepared proofs of loss but principally to inadequate insurance to value. There appears to be a greater disparity between adequate coverage and insurable value today than ever before.

Many industrial concerns feel they overcome this by buying depreciation coverage or replacement cost endorsements, Mr. Young said. This is true to some degree, but in many cases, not only the base coverage but the endorsement is inadequate. In addition, with these new types of policies, insured in many cases not only does not understand the specific procedure involved but also fails to realize that to obtain full replacement in settlement he must have good records to prove the replacement cost.

Recovery Under Replacement Forms

To obtain full benefits under replacement cost type coverages, it is necessary for insured to determine not only the full replacement cost on which the coinsurance clause is predicated, but also the accrued depreciation and the actual cash value, as this establishes the amount which, upon proof, is payable immediately following the loss without reference to the eventual repair or replacement of the property. Where a separate depreciation policy supplements the standard actual cash value policy, each will usually carry a coinsurance clause and that clause in the basic policy will refer to the actual cash value.

Mr. Young explained that there are many types of replacement cost or depreciation insurance now available. Practically all of them have a mandatory coinsurance clause with a high stipulated percentage of replacement cost. Most of them provide that insurer will pay the actual cash value. But the balance, representing the accrued depreciation, will not be paid unless and until the property is rebuilt or replaced.

N. Y. Department Again Rejects Auto Increase

(CONTINUED FROM PAGE 1)

the state's automobile population. For 10/20/5 limits, the rates for this class are up to 28.5% less than they were on Feb. 1, 1954, in 41 of 50 territories in the state. In only nine territories are they higher.

Among many reasons for greater auto liability claim payments by the insurers the bureaus note that in the 12 months ended Jan. 31, 1957, immediately preceding compulsory, the number of persons killed or injured in the state was 227,810. In the 12 months ended Oct. 30, 1958, despite a very small increase in the number of automobile registrations, persons killed or injured totaled 277,456, a 21.8% increase.

Though newspapers suggested that the auto insurers would refile for smaller increases, industry spokesmen do not think so. They point out that Gov. Rockefeller is trying to get a substantial tax increase through the legislature. Approval by the administration of an increase in rates on liability on automobiles, which concern so many citizens of the state, is not likely—at least until the tax revision is out of the way.

Negotiating Since Early 1957

The bureaus have been negotiating with the department for a rate increase since early 1957. They sought one of almost 20% from the then superintendent, Leffert Holz. He suggested they refile for a lesser amount and they did, for 9.5% on private passenger cars and 5.9% on commercial cars. This the department turned down, and the bureaus went to court.

That action is now pending before the appeals court, which is New York's highest tribunal, and is expected to come up next month.

Reasons For Disapproval Similar

Mr. Thacher's reasons for disapproval are similar to those the department gave for disapproving the 9.5% increase. The department granted a 12.9% increase to Allstate in September, 1957.

Concern is voiced by some of the larger automobile underwriters in New York that smaller insurers that have been hanging on in the hopes of rate relief in the state may face the necessity of cutting back. This would furthur tighten the market, which is fairly tight now.

Butler To Head GAB As Bachman Retires

(CONTINUED FROM PAGE 1)

at the annual meeting of GAB directors, May 21.

Mr. Bachman, who reached his 66th birthday Jan. 5, had requested retirement. He will be available in an advisory capacity to the board and management till year end.

Mr. Bachman has been with General Adjustment Bureau 26 years. Prior to joining the organization he spent seven years with Windle, Burlingame & Dargan, independent adjusters, New York, and Public Fire Ins. Co. After five years with GAB in Tennessee and Georgia, he served as assistant general manager at New York, and as general manager of the southeastern department. In 1955 he returned to the national office in New York, first as assistant to the president and, successively, as executive vice-president and president.

Began With Western Adjustment

Mr. Butler started with Western Adjustment at Chicago in 1930. He spent his early years at Omaha where he became general adjuster. In 1942 he was assigned to the Kansas City office, where he became manager and then regional supervisor. In 1946 he was appointed executive general adjuster at Chicago and later assistant general manager. In 1950 he succeeded Roy A. Sellery as general manager.

Western Adjustment, organized in 1885, has 252 offices and 1,200 adjusters. Its operations are limited to 13 northcentral states. GAB operates in the remainder of the U. S. It has 400 offices and approximately 2,300 adjusters.

The principal shareholders of both organizations are identical.

Fosse Promoted In Farm Department Of National Fire

E. Ray Fosse, hail superintendent of National Fire, has been appointed superintendent of the over-all operations of the farm department also. He will be associated with Ray C. Schwank, farm superintendent.

Mr. Fosse from 1945 to 1952 was vocational agriculture instructor at Greenfield, Ill., and from 1952 to 1955 was special agent and hail adjuster in Illinois, Missouri, Iowa, and Indiana for National Fire. He was appointed crop-hail supervisor for Illinois and Indiana in 1956, promoted to assistant superintendent of the crop-hail department that same year, and became crop-hail superintendent in 1958.

Mr. Fosse will be in charge of farm and hail production and hail underwriting and Mr. Schwank will continue in charge of farm underwriting.

Detroit Adjusters Elect

Joseph Trese, American Auto has been elected president of Detroit Assn. of Staff Adjusters. Others elected are William James, American Auto, vice-president; Alex T. Strange, Aetna Casualty, secretary, and Myron Starr, Zurich, treasurer.

Must Weed Out Marginal Producers

(CONTINUED FROM PAGE 24)

some states for injury award commissions similar to those for workmen's compensation. "I must confess that when we see, as we did last month, the insurance commissioner of Tennessee resign rather than allow his rate-making prerogative to become a political football, that such a commission could be subjected to great duress," he declared. However, he also rebuked a system by which an attorney could deplete an award in deducting an exhorbitant contingency fee.

Must Infuse Young Blood

Another task which the insurance industry must work on is that of infusing young blood into the business. Young men are choosing businesses which to them "constitute new frontiers" and they regard insurance as being "staid and unimaginative." Starting salary plays an important role, he declared, and the insurance industry, with its more or less static rate structures of the past years, is at a great disadvantage. "If we are to continue to prosper, we must raise our sights in the matter of starting salaries and in periodic promotions in order to attract good people."

However, this alone is not enough, he said. There must be a maximum of opportunity to demonstrate one's individual contribution to the whole. The security offered by the business must be pointed out. Efforts must be made to show young men that "while the serious responsibilities of the professional insurance man or woman require one to be accurate, industrious, inquisitive, thorough, energetic, studious and imaginative, ours is not a humdrum clerical life." As examples of this, Mr. Clifton recalled a number of problems recently submitted to his associates which taxed their ingenuity.

Mutual Commercial Car, Garage Rates Are Revised

Mutual Insurance Rating Bureau has revised automobile liability rates for commercial automobiles and division 1 garage risks in District of Columbia, Iowa, Maine and South Carolina, effective Feb. 11. Commerical car rates in D. C. go up 13%, in Iowa go down 9.9%, in Maine go up 7.3%, and in South Carolina go down 6%. Garage risks are reduced 3.3% in D. C., 8.7% in Iowa, 16.5% in Maine and 2.3% in South Carolina.

Liability Rates Revised By Mutuals In Tenn.

Mutual Insurance Rating Bureau has revised general liability rates, effective Feb. 11, in Tennesse. BI for OL&T increases 30%. The basic farmer's comprehensive personal liability classification is increased $4. Elevator BI increases 18.5%. Elevator PDL and collision rates go down 25%.

Non-Can Auto Bill In N. C.

Rep. Uzzell of Rowan has introduced his bill to prohibit in North Carolina cancellation of an auto liability policy by the insurer except for non-payment of premium or if insured obtained the contract by false representation. The contract shall be renewable at option of insured on tender of premium unless insured has a record of accident for which he was responsible, or his license is suspended or revoked by department of motor vehicles.

Underwriting Loss At Peerless In 1958

Peerless had an underwriting loss of $2,258,000 in 1958 compared to a gain of $139,000 in 1957. Premiums earned increased to $18,467,000 from $14,823,000 in 1957, a gain of 24%. Net investment income in 1958 was $724,000 against $668,000 the year before. Both figures are exclusive of the company's equity in undistributed gains of its affiliate, United Life & Accident.

Conn. Approves 12.9% Auto Rate Increase

Connecticut has approved National Bureau's filing for an average statewide private passenger automobile liability rate increase of 12.9% effective March 1. A prior filing with a rate rise of 19% was turned down by Commissioner Premo as excessive. He called the new filing actuarially sound.

In the new filing, surcharges on assigned risks are increased from 15% to 35% for one accident, and from 25% to 50% for more than one accident involving BI claims. Assigned risks will now pay a rate that is more in line with the damage and injury costs caused by this accident prone group, Mr. Premo stated.

Underwriting Loss, Volume At New High For Excelsior

Excelsior had an underwriting loss of $20,449 in 1958. Net premiums were $1,600,337, an increase of $349,701 over 1957, and a new high for the company. Policyholders surplus increased 9% to $1,755,740 at the end of 1958. Unearned premium reserve rose by $255,361 during the year to a new high of $1,627,491. Assets also increased to a record $3,724,642, a gain of $501,964 over 1957.

Ratio Was 54.4

The ratio of losses and loss expenses incurred to premiums earned was 54.4, while the ratio of underwriting expenses, including taxes, to premiums written was 39.6. This total of 94% compared with 96.1% in 1957. Investment income increased to $100,232 in 1958 from $95,513 in 1957. Earnings were 98 cents a share compared with 91.4 cents the year before.

Stratton Is Nuclear Speaker

Reuel C. Stratton, assistant director of Travelers' research department, will speak at the Greater New York Safety Council conference on radiation hazards in industry at Hotel Statler, April 14. Seymour Finkel, research engineer of the accident prevention department of Assn. of Casualty & Surety Companies, arranged the session in conjunction with the council's annual safety convention.

Home Results Show 1958 Improvement

(CONTINUED FROM PAGE 2)

of both companies rose to $575,008,189 from $504,014,555 and policyholders surplus to $275,327,257 from $210,317,670.

Home's life affiliate, Peoples-Home Life, attained all-time highs in insurance in force, assets and policyholders surplus. Peoples-Home produced a profit of $615,618 and, after taxes, a net profit of $420,635.

Rep. Charles Hostetler of Hoke, former chief deputy insurance commissioner of North Carolina, has been appointed chairman of the house insurance committee.

Boyd To Join N. J. Fire Rating Bureau

Tyra M. Boyd is joining Fire Insurance Rating Organization of New Jersey as assistant general manager on March 1. He presently holds the same post with New York Fire Insurance Rating Organization.

Mr. Boyd began in insurance with NYFIRO in 1949 as an inspector and progressed through various divisions until 1953 when he became assistant manager of Eastern Underwriters Assn. He returned to NYFIRO in 1957 as assistant general manager.

N. C. Continues State Property Fire Fund

The usual $250,000 appropriation for the state property fire insurance fund was included in Gov. Hodges' budget recommendation to the North Carolina general assembly.

Commissioner Gold asked for $348,035 to run the insurance department for the year beginning July 1 and $354,037 for the next year. The budget recommended amounts of $347,024 and $353,119, respectively.

No. Ind. A&H Men Elect

North Central Indiana Assn. of A&H Underwriters has elected William J. Roberts, Benefit Assn. of Railway Employees, president; Frank Pierce, Prudential, and Loyal I. Wilson, Mutual Life of New York, vice-presidents, and Budman R. Farrar, Farm Bureau Insurance agency, secretary-treasurer.

Pacific Employers Had Gains In 1958

After federal taxes and provision for dividends, consolidated net earnings of Pacific Employers group for 1958 amounted to $628,855. This is equal to $1.65 a share and compares with 1957 earnings of $263,792, or 66 cents per share.

Earned premiums for the group were $27,968,000, a decrease of approximately 1.8%. Assets rose to $40,468,709, an increase of $369,000, and gross surplus at the end of 1958 amounted to $9,159,047, an increase of $451,289.

Members of the group are Pacific Employers, Allied Compensation, California Union, Meritplan, and California Food Industry insurance companies.

Guerry Is V-P Of Carolina National

Carolina National of Charleston has advanced J. E. Guerry Jr. from manager to vice-president. He has been with the company for four years.

The company's business consists of reinsurance assumptions from American Mutual Fire of Charleston, which owns 60% of its stock and directs its underwriting operations.

Reynolds To North British

North British has appointed John M. Reynolds Jr. state agent for Alabama with headquarters at Birmingham. He succeeds Fornie A. Hughes, resigned. Mr. Reynolds has had local agency experience in Alabama.